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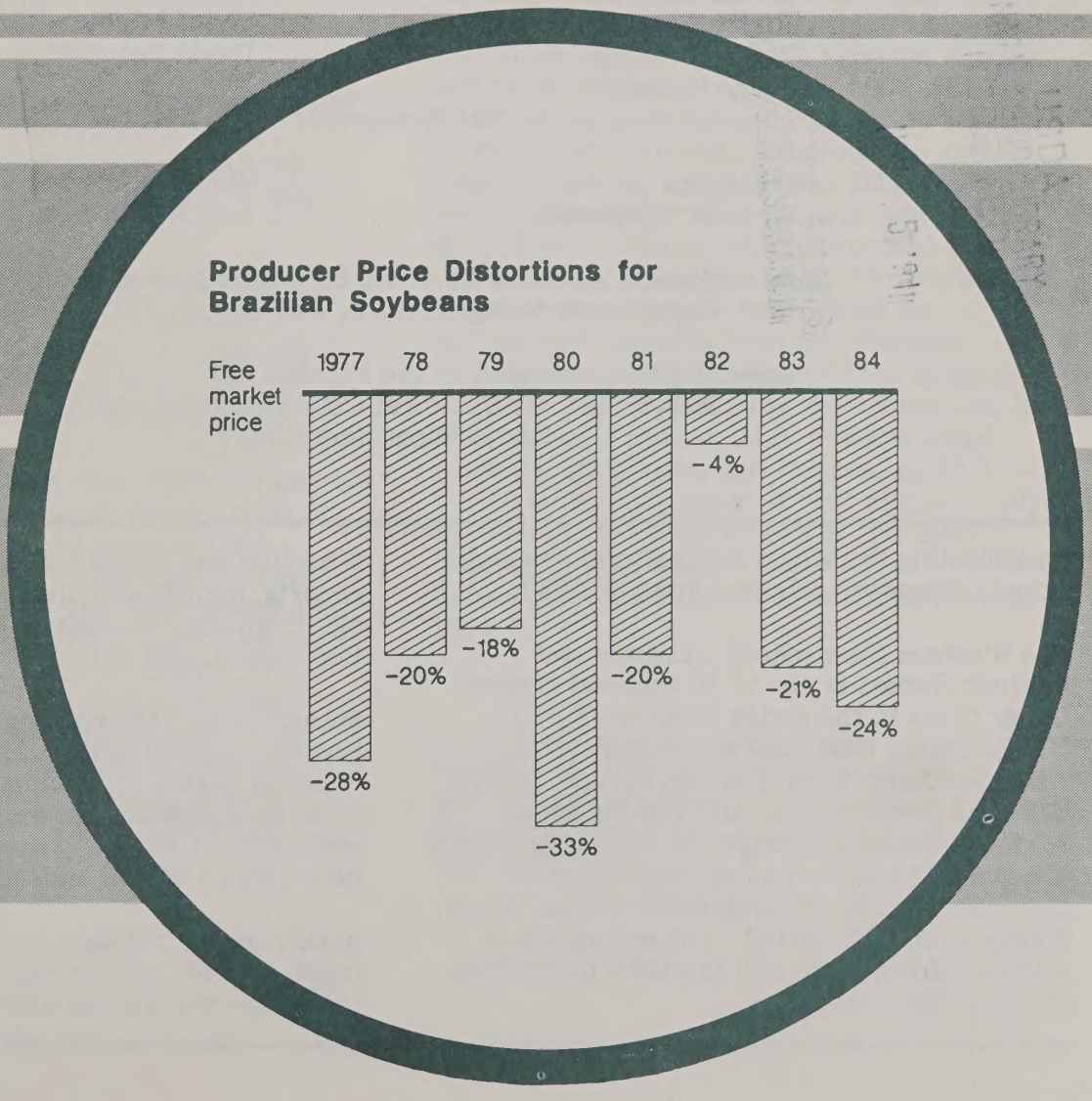

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Appreciation is extended to the Foreign Agricultural Service and the U.S. Agricultural Counselors and staffs in the Western Hemisphere.

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SUMMARY

Economic progress stagnated in the Western Hemisphere during 1986 because of a slowdown in gross domestic product growth. A few countries showed signs of recovery, but for most of the region domestic demand remained depressed and investment unchanged. Even those economic improvements noted for the region represented only partial recovery to levels reached earlier in the decade. Mexico's growth actually declined 3.8 percent, while Canada's slowed from 4.0 to 3.3 percent. Growth elsewhere was mixed, with 15 countries registering higher growth rates than in 1985 and 11 countries showing lower growth rates. Brazil and Peru led the region, each with growth rates exceeding 8 percent. Inflation was down in 1986, but export prices (except for coffee) continued depressed. The drop in oil prices hurt the region's oil exporters but provided some relief for oil-dependent countries.

On the positive side, international interest rates declined, and some progress has been made on easing the region's debt. However, debt servicing continues to have serious implications for the region's future growth and development.

Agricultural output fell in 1986, mainly because of weather-related declines in Argentina, Brazil, and Mexico. Production levels in Latin America were about 4 percent below 1985 and slightly above the longrun growth trend of 2.8 percent. In Canada, output was up 11 percent over 1985 and nearly 13 percent above the longrun trend. Only 11 countries in the region had greater farm production than in 1985. Argentina, Brazil, and Mexico, all major agricultural producers, had production declines of 7, 9, and 5 percent, respectively. Per capita food production declined in 1986, and that drop along with strong population growth and crowded urban areas will keep the pressure on governments to provide food at affordable prices. Production of most commodities declined, except for wheat, bananas, pork, and poultry.

The region's trade surplus decreased as exports dropped and imports increased. The value of exports dropped nearly 15 percent in 1986 as a 13- percent fall in prices combined with a 2-percent drop in volume. The region continued to be a net exporter of agricultural products. Exports of most major farm commodities were down in 1986 and may decline again in 1987. Imports continued to grow for the third straight year. Most major commodity imports (wheat, sorghum, sugar, soybeans, soybean meal, and soybean oil) were down from 1985. Rice and corn imports were higher in 1986.

U.S. farm exports to the Western Hemisphere were $5.2 billion in 1986. Although 10 percent below the previous year, exports might have been lower if not for U.S. Government efforts to expand trade. U.S. agricultural exports to the region accounted for 20 percent of total U.S. exports. Grains and feeds were the main U.S. farm exports, at $1.5 billion, accounting for about 30 percent of the total. Oilseeds and products, at $1.0 billion, made up an additional 20 percent. The principal markets were Canada, which took $1.5 billion, Mexico, which imported $1.1 billion, and the Caribbean, at $800,000. The United States obtains nearly half its agricultural imports from the Western Hemisphere, and the value of U.S. imports from the region rose more than 9 percent in 1986 to $10.4 billion. U.S. imports came mostly from Mexico and Canada, at $2.0 billion each, and Brazil at $1.8 billion. Coffee accounted for about a third of the total imports at $3.3 billion. The U.S. farm trade deficit with the region increased 40 percent in 1986.

In this issue several articles examine factors affecting Western Hemisphere agriculture and trade. These include foreign debt, Brazilian policies, and the Caribbean Basin Initiative.

GENERAL ECONOMY

Canada

A strong economy is expected in 1987 and 1988, but issues such as tax reform and the outcome of free trade negotiations with the United States may have a major impact on the Canadian dollar, interest rates, and growth. Additional downside risks arise from possible further U.S trade action against Canadian exports. Tenative predictions are as follows:

- Gross Domestic Product (GDP), at C$505 billion in 1986, is expected to grow at about the same rate in 1987 and 1988, that is, at a real rate of 3.3 percent.
- Business capital spending dropped in 1986, as a rise of 8 percent in non-resource investment was more than offset by a 20-percent decline in the resource sector, mainly from the plunge in oil prices. Currently, investors are being encouraged by higher Canadian interest rates relative to the U.S. and Eurodollar markets.
- Trade was a drag on the economy last year, with export volumes rising only 3 percent while imports rose 5 percent. Prices were depressed, and the surplus of goods traded dropped to C$10 billion from 1985's C$17.5 billion. The deficit in overall transactions went to C$8.8 billion from C$600 million. Export volume should pick up in response to stronger U.S. growth and higher export prices.
- Employment is forecast to rise about 2 percent in 1987 and 1988. That would move the jobless rate to 9 1/4 percent this year (from 9.6 percent in 1986), and to 8 1/2 percent in 1988.
- Inflation will move up about 4 to 5 percent. Commodity prices are still weak, and unemployment is high enough to keep wage increases modest.
- Prospects for the Canadian dollar are brighter since it appreciated about 5 percent against the U.S. dollar in the first quarter of 1987.

Mexico

Although not the poorest performance since the 1982 financial crisis, Mexico's economic growth declined by about 3.8 percent in 1986. Sharply reduced petroleum export revenues were by far the most important cause.

PEMEX (state-owned petroleum company) revenues were off 40 percent from 1985, in real terms. Increased Government deficit spending was not enough to reverse the economic slide, but, instead, tended to foster credit shortages and rising prices. The average cost of credit rose 45 percent, and annual inflation hit a record 106 percent. The public sector deficit approached 16 percent of GDP, up from 10 percent in 1985.

A major consequence of the economic stagnation was the decline in domestic demand. Unofficially in 1986, unemployment was near 18 percent and underemployment in the range of 30-40 percent. The poor economic performance could not create the additional 800,000 plus new jobs required to meet Mexico's population growth, around 2.5 percent per year. Another fatality has been workers' earning power, which has suffered a 40-percent decline in real terms since 1982. Today, the average minimum wage is about $3 per day.

Rising real prices have also eroded consumers' purchasing power. To reduce Government expenditures, consumer subsidies for basic food staples, utilities, and transportation were reduced in 1986, causing those prices to rise faster than non-price-controlled goods and services.

The recently approved foreign loan package of $12-14 billion should provide fresh capital and allow greater public investment during 1987 without heavy domestic borrowing. This would ease the tight domestic credit market and provide greater access for private borrowers. Government investments could also help increase employment levels and raise real wages, but temporary monetary and fiscal programs will be required to avoid inflationary pressures in 1987. Government revenues will also be enhanced by increased petroleum earnings. International petroleum prices have improved in recent months, and Mexico's crude oil prices in 1987 should be well above last year's $12-a-barrel average.

Central America

In 1986, the evolution of economic activity in the Central American countries

Central America: Main Economic Indicators, 1986 1/

Country	Growth Rates ---- GDP ---- Total	Per Cap	CPI	Trade Fob $US Millions Exports	Imports	External Debt $US Billion
Costa Rica	3.0	0.4	13.8	1,070	1,020	4.0
El Salvador	-0.5	-1.8	32.4	800	970	2.1
Guatemala	0.0	-2.8	41.7	1,120	970	2.5
Honduras	2.0	-1.2	4.1	970	990	2.9
Nicaragua	0.0	-3.1	777.6	250	820	5.3
Panama	3.0	0.6	0.1	2,420	2,520	6.5

1/ Preliminary figures.
Source: Economic Commission for Latin America and Caribbean (ECLAC).

continued to be unsatisfactory. Although the region's GDP grew by 1.6 percent in 1986, the living conditions in most of these countries continued to deteriorate. Per capita GDP declined in all of the countries in the region, with the exception of Costa Rica and Panama. Between 1981–1986 per capita product fell by 21 percent in Guatemala, 17 percent in El Salvador, 13 percent in Nicaragua and Honduras, and 11 percent in Costa Rica.

This setback coincided with a clear improvement in the terms of trade due to the increase in world prices for the region's major exports—coffee, bananas, and sugar—and the collapse of oil prices. Most of the countries also benefited from rescheduling external debts. However, these changes did not offset the negative effects of the region's social and political tensions, natural disasters such as the October 1986 earthquake in El Salvador, the general accentuation of the inflation and unemployment rates, and the drop in the net inflow of foreign capital.

In 1986, inflation in Nicaragua accelerated at an extraordinarily rapid rate for the second consecutive year. The Consumer Price Index increased nearly 780 percent in the 12 months ending in November 1986. The downward trend, which had characterized inflation in Costa Rica since 1983, was reversed. The 13.8 rate of inflation in 1986 represents a 2.7-percent increase from 1985. Inflation in El Salvador and Guatemala reached unusually high levels of 32 percent and 42 percent, respectively, for the second year in a row. Historically, price variations in these two countries have been among the smallest in the region, but both countries raised their exchange rates considerable in 1985 and 1986. However, inflation continued to be very low in Honduras and Panama, where the rate of domestic price increases has traditionally varied in line with the fluctuations of international inflation, especially in the United States.

The 1987 outlook for the region's economies continues to be uncertain. It is unlikely that they can attain the relatively high growth rates they enjoyed during the 1970's. Better prospects will depend on an improvement in export prices for the region's principal agricultural goods, and on economic policies that restore business confidence to attract capital.

Caribbean

Economic activity in the Caribbean remains stagnant primarily because prices in major export markets generally have been depressed for many months. Inflation continues to be a problem so that controlled prices have been used to stimulate domestic production for import substitution. Unemployment also continues to be a chronic problem as industrial development lags population growth. Layoffs in nonagricultural industries have become particularly acute in Haiti, the Dominican Republic, Jamaica, and several smaller countries.

Imports of productive inputs have even been curtailed in some cases to maintain foreign exchange balances and credit ratings. It appears that as Caribbean export markets deteriorate, individual governments are forced to further restrict imports, an action that subsequently intensifies the need for more controls. The outlook, however, can be expected to improve only after the world demand for goods and services improves or exporters diversify. In the interim, the Caribbean countries seem to be surviving primarily on foreign aid, overseas family remittances, and controlled imports.

Tourism, agriculture, and mining remain the dominant economic forces in the Caribbean, but commerce and industry are gaining momentum. The Caribbean Basin Initiative (CBI), however, has not generated as much new business as some optimists had hoped. But interest in, and the search for new economic opportunities continue, even though only a few success stories have been confirmed during the CBI's first 3 years.

Andean Region

Several Andean countries are emerging from the economic slump of the early eighties, even though inflation and foreign debt remain troublesome. While Peru, Chile, and Colombia showed impressive economic growth, prospects are for slower rates in 1987. Venezuela and Ecuador had only moderate growth. Bolivia continued in its economic decline.

Peru had an impressive 8.5 percent increase in real income, mostly based on manufacturing and construction, but has only begun to recover since its standard of living is comparable to the level a decade ago. In Chile, the estimated 5.7-percent growth in gross agricultural production led Chile's economic expansion. Export-oriented industries, principally agriculture, fishing, forestry, and mining, are the backbone of Chile's current plan for economic growth.

Venezuela has reported a 3-percent growth in real GDP, although other observers believe the rate is less. Growth has been induced through considerable government expenditure, particularly in agricultural and construction. Manufacturing activity also turned upward. Because of the downturn in oil revenues and less likelihood of huge government outlays, economic growth is tenuous in 1987.

Ecuador's real income grew only by 1.7 percent in 1986 and is expected to increase 2 percent at best in 1987. The shortfall in petroleum earnings had far-reaching impacts given that oil is 14 percent of GDP, 63 percent of merchandise exports, and more than 60 percent of the Government's budget revenue. The March 1987 destruction by tremors of the country's petroleum export pipeline was another in a string of mishaps in recent years. The agriculture sector outperformed other sectors in 1986, mostly because of optimal weather conditions.

Colombia's economy grew by 5 percent after the Government's austerity measures to cope with foreign exchange and domestic deficit problems. Mining, commerce, and manufacturing grew the most, with agricultural production increasing 3 percent. Prospects are for another 4-5 percent growth in 1987.

Bolivia's economy continued its downhill slide at -3.7 percent in 1987, despite the Government's success at reducing the inflation rate and stabilizing the exchange rate. Mining, a mainstay of the economy, was shaken by the international tin market's collapse, but even oil and natural gas, agriculture, and manufacturing suffered declines.

Peru had a decline in inflation to 68 percent in 1986, with hopes of keeping it under control in 1987. Chile held inflation to 18 percent in 1986, but foodstuffs rose 23 percent, reflecting price pressures caused by reduced supplies of key foods for domestic consumption--potatoes, rice, and beans. Venezuela has held inflation down better than any other Latin American country in the last decade, but inflation could be as much as 30 percent in 1987. The food component of the Consumer Price Index (CPI) is rising faster than overall inflation, and some shortages and substitution among foods are occurring. For years, the Government had been able to insulate consumers from increased farm prices through an elaborate subsidy program, but the program is becoming increasingly expensive to maintain.

Ecuador's inflation was recorded at 27 percent in 1986, with some hopes of reduction in 1987. Colombia's inflation rate was held in check at 22 percent, mostly by controlling the money supply as additional coffee export earnings flowed into the domestic economy. After hyperinflation in 1985, Bolivia has controlled prices to an increase of 65 percent in 1986. The Government has attempted to liberalize trade to bring some stability to the economy.

In foreign trade, the decline in petroleum prices in 1986 caused further problems in Venezuela, where petroleum is more than 90 percent of exports, and Ecuador, where petroleum is more than 60 percent of exports, but was a boon to petroleum-deficit Chile, which saved $40 million because of declining petroleum prices. The declining prices of Peru's metal exports have caused a reduction in export earnings, which were only partially offset by a 25 percent increase in fishery exports.

Chile's copper exports increased despite a slackening in the world copper price. Copper,

together with increasing fruit and fish meal exports and declining imports, left Chile with a trade surplus. Despite the renegotiation of foreign debt, Chile faced a balance of payments deficit because of debt repayment.

Venezuela was particularly hard hit by the decline in petroleum prices. Its oil export earnings fell from $13 billion in 1985 to $7.2 billion in 1986. While Venezuela still maintained a trade surplus, it ran a current account deficit for the first time since 1982.

In 1986, Ecuador's export earnings were positive despite the dropoff in petroleum earnings. Exports of bananas, coffee, and shrimp increased but were not enough to take up the slack. The cutoff of the export petroleum pipeline in spring 1987, precludes growth in export earnings in 1987. In Colombia, coffee export earnings of $2.3 billion (compared with $1.6 billion in 1985) were a boost to the general economy since coffee comprises nearly 60 percent of total export earnings. Increasing petroleum and coal exports are expected to offset lower coffee export earnings caused by the declining prices. Furthermore, Bolivia ran a negative trade balance, for the first time in a decade, while the current account has been negative for some time.

The improved economic climate has not translated into increased U.S. agricultural exports to the Andean countries.

Chile's expansion of wheat production is part of its import substitution policy but has precluded imports. Wheat imports have gone from more than 1 million tons to less than 200,000 tons in less than 5 years. One bright spot is Chile's purchase of U.S. corn in early 1987, to fill the needs of an expanding poultry industry. In most countries restrictions are placed on all but the most basic agricultural imports from the United States.

Argentina

In the last decade, two governments, one military and the second democratic, have moved to revitalize agriculture. The military government pursued these policies in the favorable environment of rising world commodity prices and the 1980 U.S./USSR grain embargo. The current democratic government, on the other hand, is attempting to revitalize agriculture in an environment of declining world prices and the agricultural trade war between the European Community (EC) and the United States.

The Alfonsin government (1983–88) seems determined to reform the economy by unshackling the agricultural sector and by reducing protectionism for industry. But the Government is proceeding cautiously to retain political support, and reforms are being phased in carefully to minimize social and economic disruption. Some progress has been made. In 1985, for instance, to control inflation, stabilize the economy, and establish the appropriate conditions for longer term growth, the Government set up the *Plan Austral*, which included such corrective measures as reduced currency emissions, exchange rate liberalization, currency devaluations, reduced deficit spending, and wage–price controls. So far, the plan has been successful in reducing inflation (from about 1,000 percent to 100 percent) and generating slow yet steady economic growth.

Border taxes on agricultural exports have been reduced, but the magnitude of world price declines is overwhelming. At best, lower export taxes have only partially offset world price declines. Moreover, as the tax wedge between domestic prices and world prices is diminished, the Government loses maneuverability to offset additional price declines. Meantime, foreign exchange reserves and government revenues are hemorrhaging, since agricultural export earnings account for 80 percent of foreign exchange earnings, and agricultural export taxes account for about 15 percent of central Government revenues.

In addition to lower agricultural export taxes, agricultural input taxes have been reduced, and subsidies are being offered to encourage fertilizer use among wheat farmers. (Currently, only about 15 percent of Argentine wheat area is fertilized, compared to about 75 percent for the United States.)

The Government's most dramatic initiative on agricultural policy, the land tax, is currently tied up in the legislative process, and its chances of becoming law are doubtful. According to the proposed legislation, land

taxes (based on the land's value without improvements) will offset income tax and wealth tax liabilities. However, the land tax proposal does not address the effect of land taxes on agricultural export taxes, which account for 70 percent of the agricultural taxes. Farmers are concerned that overall taxes will rise, unless the Government explicitly renounces its authority to impose export taxes.

Brazil

The Brazilian economy has been through cycles of boom and bust during the 1980's. After a long period of growth in the 1970's, the burden of foreign debt and increased oil prices caused recession and sluggish growth in Brazil from 1981 through 1983. Export-led growth was a modest 4.3 percent in 1984. In 1985 and 1986, a democratic government stimulated domestic demand, and GDP grew vigorously at about 8 percent per year. In 1987, the spending spree ran out of steam, and the economy stumbled as the problems of foreign debt and inflation spun out of control. It is difficult to predict how quickly Brazil will be able to return to strong GDP growth.

At the end of February 1986, Brazil implemented an anti-inflation program, the Cruzado Plan, designed to spur growth, especially demand. Prices were frozen and salaries adjusted upwards to account for the inflation of the previous months. Higher wages improved the income distribution, and employment increased. For several months, investment in productive capacity grew as funds moved out of financial speculation. However, the price freeze was maintained for too long as the Government sought to increase its popularity. Shortages appeared where prices were frozen at low levels and illegal price surcharges became commonplace. Exports were diverted to satisfy domestic demand, and imports, especially food, were increased to relieve shortages. With foreign accounts in disarray, Brazil was forced to suspend payment of interest on its debt. When price controls were lifted, inflation reached record levels.

TRADE SECTOR

Canada

Canada's export sales of grains and oilseeds have been brisk during the marketing year beginning August 1, 1986. As the Great Lakes' shipping route reopened this spring, overall exports were running more than 3 million metric tons ahead of last year's tally on the same date. Some estimates see the possibility for a record in Canada's grain/oilseed exports in the current marketing year.

Roughly 90 percent of Canada's livestock and meat exports go to the United States. And, as the Canadian dollar continued to depreciate against the U.S. dollar in 1986, Canada's meat exports continued to grow. A total of C$1.2 billion in sales were recorded--6 percent more than a year earlier.

The United States realizes a large net trade balance with Canada in fruits, nuts, and vegetables. But in recent years the U.S. share of Canada's imports of these commodities has been shrinking. Since 1983, the U.S. share of Canada's fruit, nut, and vegetable imports has shrunk marginally. The Canadian dollar has been falling against the U.S. dollar since 1976, but rising against many other currencies, and the United States has been facing stiff competition from other suppliers.

In the first quarter of 1987, the Canadian dollar appreciated 5 percent against the U.S dollar. If this marks a trend, the United States should regain some of its former trade share of fruits, nuts, and vegetables imported by Canada. And U.S. imports of Canadian livestock and meat could shrink somewhat.

Mexico

Mexico managed to generate a $4.4 billion merchandise trade surplus in 1986 despite a dramatic fall in petroleum export revenues, down $8.4 billion. Tourism and in-bond (*maquiladora*) industries also generated positive trade flows, for a total of $2.4 billion. Nevertheless, these positive trade balances were not enough to offset the almost $9 billion in interest payments on Mexico's foreign debt. A positive net capital flow ($1.5 billion) and a small drawdown on previously approved loans helped close the gap.

Nonpetroleum exports registered a large increase in 1986, with growth in agro-industrial exports leading the rise. Depressed Mexican demand and a strong U.S. market for winter vegetables, live cattle,

coffee, and malt beverages boosted sales to the United States to a record $2 billion. On the other hand, U.S. agricultural sales to Mexico dropped by $360 million due to a depressed Mexican economy and favorable agricultural production. The only significant gains for the United States were sales of nonfat dry milk, dried beans, and sunflower oil. As a result, the U.S. agricultural trade deficit with Mexico grew to $942 million in 1986, the largest ever.

Changes in Mexico's trade policy are expected to keep this a dynamic sector. By joining the General Agreement on Tariffs and Trade (GATT) in 1986, Mexico reinforced its trade liberalization policy. About two-thirds of its imports (by value) no longer require permits prior to import, and official invoice pricing, which tended to raise import prices, is expected to be phased out in 1987. Mexico is replacing its import licensing program with a tariff schedule fashioned along GATT guidelines. Importers of major agricultural commodities, however, are still required to obtain a license to import.

In addition, flexible exchange rates are being used to keep international financial distortions to a minimum. The Government is experimenting with a futures exchange rate market that will allow private traders to hedge against unexpected economic and policy changes. Petroleum export pricing has also been removed from Government controls in favor of daily price adjustments based on market conditions.

Central America

U.S. agricultural exports to Central America in 1986, valued at $336 million, were down 7 percent mainly because of lower prices for U.S. exports. The countries' import capacity also has been reduced. Overall U.S. exports in the region are facing growing competition and increased trade restrictions to control current account deficits. The continued low prices for the region's exports of agricultural products coupled with a 25-percent service requirement on an external debt of more than $20 billion will severely limit imports of all but essential agricultural products.

The United States continues to be the major supplier for Central American imports through its varied Food Aid programs.

Caribbean

Agricultural and mineral products continue to dominate foreign trade, but industrial goods and tourism are gaining ground. The United States is the principal trading partner of most countries in the region, except for Cuba.

U.S. exports of grains, oilseeds, and livestock products, as well as some agricultural and industrial inputs, account for nearly all U.S. exports to the region. The United States buys coffee, sugar, molasses, beef, and tropical products from the region, but Western European countries remain the secondary market for Caribbean products.

Cuba trades primarily with centrally planned economies in Eastern Europe, but buys most of its grain and oilseed products from Canada, Argentina, or other exporters. The centrally planned countries, barter oil and industrial goods for Cuban sugar and tropical products. This arrangement, ironically, has encouraged Cuba to expand sugar production still despised by Caribbean farmers and laborers as a vivid reminder of the colonial era. Nevertheless, about 75 percent of Cuba's foreign exchange earnings are still generated by sugar exports.

St. Kitts and the Dominican Republic are the only other countries in the Western Hemisphere that remain significantly dependent on sugar. Jamaica, for example, receives less than 10 percent of its foreign currency earnings from sugar. Jamaica is one of the largest markets for U.S poultry in the world. Furthermore, Caribbean countries have the highest per capita consumption of U.S agricultural products of any region in the world. Currently the United States is exporting about $800 million in agricultural products annually to the region and importing half that amount.

U.S. agricultural trade with the Caribbean

Item	1983	1984	1985	1986	1987
	Million dollars				
U.S. exports to Caribbean 1/	784	844	778	794	850
U.S. imports from Caribbean 1/	470	576	467	466	480

1/ Including Guyana, Suriname, and French Guiana.

Major agricultural imports and exports of the Caribbean 1/

Commodity	1983	1984	1985 2/	1986 2/	1987 3/
			1,000 tons		
Imports					
Wheat 4/	1,945	2,015	2,110	2,160	2,200
Cuba	1,200	1,250	1,300	1,300	1,350
Other	745	765	810	800	850
Corn	1,052	1,083	1,050	1,090	1,120
Cuba	402	423	450	480	500
Other	650	660	600	610	620
Rice 5/	361	356	395	450	430
Cuba	207	210	220	220	230
Other	154	146	175	230	200
Exports					
Sugar 6/	8,293	8,437	8,755	7,540	7,400
Cuba	6,792	7,016	7,400	6,500	6,390
Dom. Rep.	956	885	800	460	510
Other	545	536	555	580	500
Bananas	160	170	180	200	200
Coffee 7/	73	66	60	70	80
Rice 8/	169	180	175	180	180
Citrus 9/	385	380	360	400	450

1/ Except Puerto Rico, the U.S. Virgin Islands, and the French West Indies. 2/ Estimated. 3/ Projected. 4/ Including flour. 5/ Milled rice. 6/ ISO Yearbook. 7/ Primarily Haiti and the Dominican Republic. 8/ Guyana and Suriname. 9/ Primarily Cuba. Revised May 15, 1987.

Andean Region

U.S. agricultural exports to the Andean countries continued their slide in 1986, with a 27-percent drop to $840 million. The decline originated when imports were tightened to conserve foreign reserves, because of the burden of foreign debt, government policy drives to achieve self-sufficiency, and competition from other traders for the Latin American market. Venezuela and Colombia showed the largest declines at $188 and $108 million, respectively. In Venezuela, a record corn harvest in late 1986 and lower prices caused feed grain imports from the United States to fall from $177 million to $66 million in 1 year. Pulses and oilseeds took a similar beating. U.S. wheat exports to Venezuela were brighter, increasing 35 percent to $132 million, making wheat the largest single commodity traded. In Colombia, wheat and oilseed imports declined the most, because of their tight import policy and a changeover to other trading partners. Some trading is based on bilateral agreements under the umbrella organization ALADI, which offers preferential tariffs to member trading countries.

U.S. agricultural imports from the region climbed 18 percent to over $2 billion. Colombia, with a 39-percent increase in coffee prices and a slight increases in volume, showed the largest gain in trade to $980 million. The other Andean countries increased their exports to the United States but not so dramatically.

Prospects are likely for another low agricultural import year in 1987, but with some bright spots. Venezuela's corn crop was less than expected and demand for feed continues to grow, ensuring that feed grain imports will increase from a year ago. Wheat imports, based mostly on population growth, will probably be about the same, despite the import of 200,000 tons of Argentine wheat and the program of mixing corn and rice with wheat flour. The mix of imports of soybeans and soybean products may change, but the need for these products continues to grow. Chile has begun to import corn for its poultry industry in 1987, but wheat imports will stabilize at about 200,000 metric tons. Peru's agricultural imports from the United States, mostly wheat and vegetable oil, are also expected to increase again in 1987, as income rises and strengthens import demand.

U.S. agricultural imports from the Andean region will decline as the price of coffee recedes. However, nontraditional imports (i.e., grapes from Chile) will continue to grow.

Argentina

Argentina is one of the world's largest exporter of grains, oilseeds, and sun products, accounting for 10 percent of world trade, compared to about 40 percent for the United States. Although Argentine agriculture is competitive on a world class basis, its farm resources are underused and the grain marketing infrastructure inefficient. Traditional economic policies discriminate against agriculture.

National industrial policies have prevailed during most of modern Argentine history, with only occasional interruptions. That is, when foreign reserves become scarce or when the economy slump's, the Government expects agriculture to revitalize the economy. By reducing border taxes and/or liberalizing grain trade, the government can usually expect agricultural exports to act as an engine for economic growth.

The Argentine farm sector is highly responsive to world prices. One-half of Argentine agricultural production is exported, and changes in domestic agricultural prices are highly correlated with changes in world market prices. Thus, projected lower world prices for grains and oilseeds normally would reduce Argentine agricultural production and exports.

However, several factors could work against a normal response to lower world prices by the Argentine farm sector. Argentine farmgate prices traditionally have only run about 50 percent of f.o.b. export prices, compared to about 75 percent in the United States. Since there is a sizeable margin between Argentine farmgate prices and Argentine export or world prices, then the transmission of lower world prices to lower farmgate prices in Argentina can be mitigated. If this happens, Argentine farmgate prices will not decline along with world prices, and Argentina will be able to sustain agricultural exports and market shares.

The likelihood of reducing the transmission of lower world prices to Argentine farm prices will depend on three principal factors. First, Argentine farmers produce at very low costs, so Argentine farmgate prices can rise and still remain well below world market prices. Second, the internal cost of marketing agricultural products is very high (despite the proximity of farm production regions to export terminals), so Argentine farmgate prices can increase if grain handling costs are reduced. And third, since export taxes and exchange rates affect domestic prices, farmgate prices could increase if taxes are reduced or eliminated.

Argentina: Farm production and exports in 1986 1/

Item	Production	Export	Export/Prod.
	1,000 tons		percent
Wheat	9000	4500	50
Rice 2/	275	145	53
Coarse Grain 3/	17100	9574	56
Soybeans	7300	2600	36
Veg. Oil 4/	2105	1650	78
Oils. Meal 4/	5030	4550	91
Beef	2700	220	8
Food 5/	14080	6515	46
Non Food 6/	29430	16724	57
Total	43510	23239	53

1/ Preliminary. Wheat harvested in December 1985, coarse grains harvested in March 1986, soybeans harvested in April 1986, and 1986 calendar year beef. 2/ Rice, milled basis. 3/ Mostly corn and sorghum. 4/ Addition of soybean and sunflowerseed products. 5/ Addition of wheat, rice, vegetable oil, and beef. 6/ Addition of coarse grain, soybeans, and oilseed meal.

Brazil

Brazil was one of the world's largest net exporters of agricultural commodities in 1985, and in 4 of the last 5 years, Brazil has been among the top three suppliers of agricultural commodities to the United States. Brazil controls trade by requiring registration of imports and exports. Registrations are often closed or opened depending on whether the government wants to encourage or limit trade. Major agricultural exports include coffee, soybeans and products, frozen concentrated orange juice (FCOJ), cocoa and products, meats, sugar, and tobacco. Wheat is Brazil's major agricultural import, with the United States, Canada, and Argentina traditional suppliers. France is emerging as an important source of wheat.

Brazilian agricultural trade policy has changed emphasis since 1984. During the military dictatorship, export promotion was a top priority, especially in 1983 and 1984. Soybean production was encouraged. In 1985, the Government, now civilian, made food crops for domestic production a higher priority. Planted area shifted from soybeans to corn and wheat in 1985/86 and 1986/87. Drought in late 1985 complicated the trade picture. With prices frozen in 1986, the reduced harvest threatened to cause massive shortages. The Government turned to massive imports, not only of traditional import commodities like wheat and milk, but also of beef, corn, dry edible beans, and rice. Exports of coffee, soybeans, and soybean products were limited in order to assure supplies for domestic consumers. Brazil will have larger supplies in 1987, a record corn crop is being harvested, and storage capacity is a problem.

Brazil's export programs often do not offset high export taxes. Government involvement is greatest for coffee, sugar, and cocoa. The Government controls and taxes coffee exports through the Brazilian Coffee Institute. The Institute for Sugar and Alcohol controls production and trade, but due to low

world prices, the major trade intervention is to subsidize exports. For other exports, such as soybeans, differential export taxes encourage exports of processed products to increase the value added in Brazil. Tax rebates for exporting have been mostly phased out, but a major program provides companies who agree to reach a certain level of exports with authorization and financing for imports.

AGRICULTURAL SECTOR

Canada

Rising input costs and falling prices for nearly all crops have forced Canada to adopt economic measures particularly for the prairies. One economic measure is to skip a particular field operation entirely if it does not pay for itself. The operation of controlling wild oats is an example. In 1979, the average wild oat herbicide treatment cost $9.65 per acre. In the same year, No. 1 hard wheat went for $4.62 a bushel. A yield of 2.1 bu/acre could pay for the herbicide. A one-third rise in herbicide cost and a one-half fall in wheat price now require more than twice the yield boost to pay for the herbicide application.

Producers have cut back on machinery and equipment purchases in the 1980's. In February 1987, purchases of two-wheel-drive tractors were off 9 percent and purchases of four-wheel-drive tractors were off 44 percent from the previous February.

In the past 5 years, land values have fallen by one-fourth in Western Canada, wiping out billions of dollars worth of farm assets. And the worst may not yet be over. Producers are now renting more than 50 million acres of the land they work, and the ratio of rented-to-owned land is likely to continue to grow as farmers can afford less capital investment in a shrinking profit industry. Large competitives farmers who were relatively debt-free when the adversities of the 1980's took place were able to hold on to the land readily, some of these have retired and their sons are renting the land.

Canada's livestock industry has been doing better in 1986 and 1987, helped by low feed prices, a continued shrinking of cattle numbers, and reduced hog numbers in the United States in 1986, to a point where hog prices in North America climbed to record heights.

Mexico

The 1985/86 production season was mixed. Most crops and livestock were favored by continuous good weather that kept irrigation reservoir levels near capacity, but producers faced a price/cost squeeze, and poor economic performance reduced demand.

Area was generally stagnant for crops produced primarily for domestic consumption because of falling producer prices and rising costs. The real guarantee price for basic crops declined, while at the same time producer subsidies were being reduced. Sluggish domestic demand also put downward pressure on prices, especially for livestock feeds. Crops produced for export enjoyed an expanding export market and higher world prices. Exports of fresh tomatoes, for example, jumped 12 percent in volume and 114 percent in value during 1986. Mexico's important coffee exports (about one-half of total value) almost doubled in sales over 1985.

The economic downturn in 1986 affected the livestock sector in terms of lower demand and the substitution of less expensive protein sources for higher priced proteins (i.e., poultry for beef, milk and eggs for meat).An important "escape valve" for the beef industry was a strong U.S. demand for live feeder cattle. Mexican live cattle exports reached a record 1.2 million head in 1986. Other livestock sectors met limited demand by reducing production. An improved economic forecast for 1987 should revive demand prospects for livestock products.

The tight financial situation last year forced the Government to reduce both producer and consumer subsidies. On the average, real input costs rose 15-30 percent, whereas nominal support prices increased less than inflation. On the consumer side, the price of subsidized foods rose faster than other food items and faster than inflation in most cases. These trends are likely to continue into the near future as the Government attempts to control its spending and reduce its public deficit. For producers, this could lead to a greater substitution of export commodities for basic grains, such as corn and sorghum. Consumers will likely face

higher real prices for basic commodities, including corn *tortillas* and bread wheat. Internal price pressures could be eased somewhat if the Government opens its agricultural trade to foreign competition. The Government currently requires a permit to import agricultural commodities.

Central America

Agriculture contributes one-fifth to one-fourth of the GDP of all Central American countries except Panama, constitutes from one-fourth (Belize) to five-eighths (Honduras) of the labor force, and supports three-fifths of the population. Agricultural products constitute two-thirds of the exports of all countries except Panama (30 percent) and Guatemala (40-45 percent). Taxes on these exports contribute much of each government's revenues. Traditional exports are concentrated on two to four commodities in each country, with coffee, sugar, and bananas dominating, and cotton, beef, shrimp, and cardamom important in some countries. Costa Rica, Guatemala, and more recently Honduras have generated the largest variety of nontraditional exports, including mangoes, pineapples, spices, ornamental plants and cut flowers, melons, garlic, snow peas, and other winter vegetables. However, such products compose less than 10 percent of their agricultural exports.

The region's index of agricultural production showed an increase of only 1 percent after dropping 6 percent in 1985. Central America suffered from one of the worst droughts on record, and crops failed particularly in El Salvador, Honduras, Nicaragua, and to some extent Panama. The livestock sector was affected also in Honduras, Nicaragua, and Panama.

Output was near or above record during 1986 for Costa Rica, Guatemala, and Panama, but it remained below the long-term trend especially on a per capita basis. Most of the growth was in the crop sector, with the increase centered in Costa Rica where crop output rose a sharp 19 percent in 1986, making a strong recovery from the very low 1985 level.

Caribbean

Soil, water, and weather remain the primary deterrents and determinants of agricultural expansion in the Caribbean. Agricultural policies, marketing, and pricing also remain critical determinants of supply and demand. But the demand for agricultural imports in the region is expected to increase over the next few years as populations and incomes increase.

In general, the region has a good resource base. Temperatures are nearly ideal. The climate is semitropical to tropical. The soils respond well to fertilizer, water, and other inputs. Production, however, has been falling in recent years for a variety of reasons. Cheap food polices, for example, discourage producers. But production can still be increased if the proper mix of inputs and incentives is used.

Nearly every year a natural disaster, such as a tropical storm, a drought, or a volcanic eruption, strikes one or more of the primary growing areas of the region. But production typically falls off only 3 to 5 percent in any given year, and usually recovers quickly. Nevertheless, it may take 3 to 5 years to reestablish some industries if the infrastructure is destroyed and the importation of critical inputs restricted. This is particularly true of tree crops, which require several months or years to reestablish themselves.

Historically, these are the periods when U.S. food and foreign aid programs are used most extensively. During the past 6 months, for example, the Eastern Caribbean has suffered one of the longest and driest "dry seasons" of the century. Pastures dried up, underweight animals were slaughtered, and spring harvests were seriously impaired. Even yields of perennial crops were severely damaged. Many production and export gains of 1986, therefore, appear to have been lost in 1987. Other areas of the Caribbean have done much better, but the future remains almost totally unpredictable in any specific country from one year to the next.

Two years ago, the Northern Caribbean suffered from a severe drought, while excessive rain appeared elsewhere in the Basin. Cuba's 1986 and 1987 sugar crops, appear to have been reduced by 12 to 15 percent because of the 1985 drought. Cuba's full recovery from that drought now appears to have been delayed another year or two.

The drought also crippled the Dominican Republic's drive for self-sufficiency by forcing the Government to relax import controls and allow the importation of nearly 100,000 tons of rice, in addition to substantial quantities of other commodities in 1986 and 1987.

Recent Government pricing policies in Haiti and the Dominican Republic have further encouraged the development of a black market for Dominican sugar and Haitian rice. Similarly, Haiti's high consumer and low producer price policies over the past few years have all but killed the commercial cane sugar industry. Haiti will have to import substantial quantities of sugar next year or change its sugar policy because the largest mill in Haiti recently announced bankruptcy. Depressed world market prices for sugar, coffee, bauxite, and other primary exports over the past 5 years have reduced export earnings of all countries in the region. Poor market conditions in recent years have forced many countries to constrain imports, so as to avoid balance of payments deficits. In Cuba, the Dominican Republic, Jamaica, and Barbados crop yields appear to have fallen at least 3 to 5 percent in the last few months because of shortages of inputs, such as fertilizer and hybrid seed. Conditions are expected to improve in the near future as proposed adjustments in government priorities and policies are implemented.

Import restrictions are not new to the Caribbean, but the latest economic measures appear to have had a particularly harsh effect on the economies of the Caribbean. Ironically, 1986 brought relatively good weather to the region, but government controls prevented any significant expansion in agriculture.

The outlook for 1988 is no brighter for Caribbean producers, but encouraging for American exporters. The downward trend in per capita agricultural production observed for several years is likely to continue. Thus, the Caribbean market for U.S. agricultural products is expected to remain strong and diverse for at least the next 5 years.

Other Western Hemisphere producers, such as Argentina, Canada, and Brazil, are expected to aggressively compete for a larger share of Caribbean agricultural imports over the next 3 to 5 years. The United States, therefore, should not take the Caribbean market for granted, even with the Caribbean Basin Initiative (CBI).

Argentina

Preliminary estimates indicate that the 1986-87 Argentine crop (including wheat, corn, sorghum, soybeans, sunflowerseeds, and flaxseed) was down for the second year in a row, to 32.8 million tons, compared to 36.7 million tons a year earlier.

Area planted was 4 percent lower than a year earlier, and area harvested 9 percent lower. Only 90 percent of area planted was harvested, compared to 95 percent a year

Table 1: Argentine grain and oilseed data

Year, Mkt.year 1/	1984	1985	1986	1987 2/
	Area planted 1,000 hectares			
Grains 3/	13244	116501	10850	10300
Oilseeds 4/	5861	6425	7544	7340
Total	19105	18075	18394	17640
	Area harvested 1,000 hectares			
Grains 3/	12295	11265	10196	9250
Oilseeds 4/	5669	6352	7244	6600
Total	17964	17617	17440	15850
	Area planted/Area harvested Percentage			
Grains 3/	93	97	94	90
Oilseeds 4/	97	99	96	90
Total	94	98	95	90
	Yields metric tons per hectare			
Grains 3/	2.35	2.74	2.43	2.38
Oilseeds 4/	1.74	1.70	1.64	1.63
Total	2.16	2.37	2.10	2.07
	Production metric tons			
Grains 3/	28900	30900	24800	22000
Oilseeds 4/	9860	10776	11884	10750
Total	38760	41676	36684	32750
	Exports metric tons			
Grains 3/	17429	19666	13617	11000
Oilseeds 4/	3284	3344	3100	2900
Oils.meal 4/	3948	4194	4615	5025
Veg.oil 4/	1262	1574	1615	1700
Total	25923	28778	22947	20625

1/ Combined local marketing years (MY) for wheat and flaxseed, harvested in December (t-1), and corn, sorghum, soybeans, and sunflowerseeds, harvested in March/April (t); where t = year.
2/ Preliminary estimate. 3/ Addition of wheat, corn, and sorghum. 4/ Addition of soybeans, sunflowerseed, and flaxseed, or subproducts.

earlier. Yields were also lower, particularly for grains which have dropped 13 percent over the last 2 years. This decrease has been due largely to flooding of the December 1985 wheat crop and hot, dry weather between November 1986 and March 1987, reducing this year's corn and soybean yields.

Brazil

Agricultural policy in Brazil has three major priorities: 1) food for domestic consumption, 2) exports for foreign exchange, and 3) alcohol for energy. These priorities conflict with each other, and policies frequently change as one priority becomes more urgent than the others.

Brazilian agriculture has a diverse structure. Many small farmers survive on subsistence agriculture, without clear title to their land and without access to inputs or credit. Some large landowners run extensive cattle operations with very low productivity. Brazil has also developed a dynamic modern agricultural sector, based in the South, that is composed of a blend of well-organized cooperatives of small farmers and large capital-intensive corporate farms.

From 1964 till 1985 the military dictatorship allowed the executive to change and implement policy by decree, resulting in many abrupt changes in the conduct of agricultural programs. Underlying the changes have been contradictory goals. Agricultural policy tries to maintain farmers' income, while providing plentiful supplies of inexpensive food to consumers. Policies have encouraged agricultural exports, but export taxes on agricultural products are a basic source of funding. Since 1975, the alcohol for energy program has placed another major demand on Brazilian agriculture.

The democratic movement that took power in 1985 is still governing under the Constitution written for the dictatorship, continuing the executive's law-by-decree power. Meanwhile, the fundamental contradictions in agricultural policy remain unresolved. However, during 1985 and 1986, foreign exchange constraints were less severe, and economic policies were oriented toward increasing consumption, including food. Income redistribution was also a priority, and plans for a major land reform program became politically important. In 1985 and 1986, agricultural policy was consumer-oriented. When drought caused crop losses in 1986, the Government used massive imports of food to try to keep consumer prices from increasing. In the future, foreign exchange constraints will likely force agricultural policy to return to more export promotion.

Brazil maintains a minimum price support program and provides loans to farmers at below-market interest rates. A 13-to-18 percent value-added tax is applied to agricultural products. Price controls occasionally distort agricultural markets. Research, extension, and crop insurance programs have been important for some crops in some regions. Subsidies directed to specific inputs were important in the past but have been phased out. Coffee, cocoa, and sugar producers have special independent programs. Export and import controls are often changed, and import tariffs, though high, are often waived.

The minimum price support program covers most major crops. In recent years, it has become more important as the Government has increased minimum prices for major food crops to encourage production. Support prices include direct purchase (AGF), or storage loans (EGF) much like the U.S. program, where loans can be redeemed if the farmer wishes or forfeited to the Government at the minimum price. Most crops are supported near or below U.S. loan rates, with the notable exception of wheat.

The Government makes loans available to farmers to finance crop production costs (the largest program), livestock inventory, and some longer term investments, as well as the crop storage program. In 1987, funds are made available at 10 percent above the inflation rate. Disbursement and repayment terms are variable, depending on farmers relationship with their bankers, but disbursements usually occur in three stages, starting with soil preparation and ending at harvest, with repayment due 6 months after dispersal. This program represents a significant subsidy because farmers would have to pay 40 to 80 percent higher interest rates if they borrowed the money at commercial rates. Moreover, if problems arise, such as drought, repayment of Government loans is allowed to fall into arrears.

The amount of funds available for production loans, storage loans, or investment has been reduced during the 1980's. Moreover interest rates charged farmers have been increased until rates are close to the Government's cost of borrowing. Only in the impoverished Northeast and in the Amazon are rates still subsidized below the inflation rate.

GRAINS

Canada

The grain market has become extremely competitive in the past year, primarily because the United States drastically reduced the loan rate for grains. This meant a drastic decline in Canadian wheat export prices from a high of US$ 190 per ton in early spring of 1986, to about $130 per ton for NO.1 Canadian Western Red Spring (CWRS) by late summer. Prices have recently improved, and the export price for NO. 1 CWRS is now being quoted at about US$ 140 per ton. It has become difficult to assess the selling price of different wheat grades. Most sales are now being concluded through the use of subsidies or very competitive pricing. A recent sale of U.S. baking quality wheat to the USSR went at a price about US$80 per ton.

Based on current world prices (which are almost completely determined on political rather than economic factors), Canada's Government will probably have to reimburse the wheat board's barley pool again in 1986/87, and the initial prices for 1987/88 are substantially lowered. Wheat stocks at the beginning of the 1986/87 marketing year were at the relatively low level of 8.45 million tons, and are expected to rise to 13.6 million tons. Coarse grain stocks stood at 6.2 million tons at the beginning and are expected to reach 7.6 million by the end of the year.

Mexico

Despite rising prices and high unemployment, this year's grain consumption is expected to increase over 1986. A modest economic recovery and continued strong population growth will help offset rising prices and low incomes. Also, Mexican consumers are reportedly substituting food grains for higher priced foods, such as livestock products. Substitution within the grain complex also will continue as producers seek alternative feed grains.

Total grain imports are expected to increase in 1987 because of stagnant production. In general, input costs have been rising faster than output prices as the Government reduces subsidies on major factors of production, primarily agricultural credit. This year's output is also being reduced because of disease problems with wheat. Affected wheat area is apparently being shifted into dry beans, corn, and sorghum, among other commodities. Imports will be further enhanced by stock building, which is expected to continue if world prices remain depressed and Mexican debt repayments are manageable.

The United States will remain Mexico's primary grain supplier, which amounted to 85 percent of total grain imports last year. Low prices and U.S. export credit guarantees likely will continue to favor Mexican purchases of U.S. corn and sorghum. U.S. wheat sales could become more important than in recent years because of projected shortages of Mexican food-quality wheat. Mexican imports of feed, wheat, and barley come largely from Canada, and rice from Asia.

Central America

In 1986, total grain production was 6 percent below 1985's output as a result of a prolonged drought along the Pacific coastline. Costa Rica, El Salvador, and Nicaragua experienced the largest declines, with grain production falling by 10, 7, and 13 percent, respectively.

In terms of land area used and total annual production, corn is by far the most important of the basic grains. Corn alone represented about 70 percent of the region's total grain production in 1986, with the largest output produced by Guatemala. Nevertheless, the region's corn production was seriously affected by dry weather in 1986. The total output of 2.2 million tons was 7 percent below 1985's production. Higher imports are expected in 1987.

Although rice production in the region has followed a general upward trend in both area planted and total output, supplies often have

been short of internal consumption needs, requiring periodic imports to overcome deficits. A total of 18,000 tons were imported in 1986 to meet increasing domestic demand. While Panama had no imports, El Salvador required more than one-third of the total rice imports. Total output may decline in 1987 because of policy changes in some countries, such as lower price supports in Guatemala and poor credit availability in Panama.

The region does not produce relevant quantities of wheat. In fact, wheat is only produced in the highlands of Guatemala, which still depends on imports for two-thirds of its wheat requirements. Traditionally, the United States has been the region's primary wheat supplier, with small amounts coming from Canada, Argentina, and the EC.

Caribbean

The grain situation in the Caribbean Basin changes very little from year to year. Wheat has been a primary import for years. With the exception of Cuba, most countries in the region buy wheat from the United States. In 1985 and 1986, U. S. trading partners in the region purchased about 725,000 tons of wheat and wheat products from the United States.

Wheat also is used to supplement domestic supplies of corn, beans, and rice when local harvests are poor. All attempts to grow wheat in the region, however, have failed, but the Caribbean taste for wheat remains strong and demand increases a little each year. Argentina and Canada are the primary competitors for wheat sales to the region.

Corn, beans, and sorghum on the other hand, are grown readily in most countries in the basin. Recent attempts to increase rice production in several countries have not been very successful. Cuba, Haiti, Jamaica, and the Dominican Republic are trying to increase domestic production of all staples, but it appears producer prices will have to be artificially set well above world market prices to get the production response desired in most instances. These policies, however, also frequently appear to be politically unacceptable to the parties in power.

Dramatic increases in grain production are not expected in the short run. Import demand for wheat, corn, and sorghum, therefore, is expected to remain relatively firm and predictable in the Caribbean through the balance of the decade. Major crop failures, however, could alter demand somewhat in any given year.

Andean Region

Total grain production increased 4 percent, from 11.3 million tons to 11.7 million tons. Venezuela, Ecuador, and Chile harvested record crops. Others in the region--Bolivia, Peru and Colombia--had level production for total grains but major shortfalls in rice that were offset by increases in corn and sorghum output. Peru, however, is the only country in the region whose decline in rice production has brought about increased imports (260,000 tons). Peru imported rice from the United States, China, North Korea, and others in 1986. Imports are continuing into 1987, until the next crop production cycle, when Peru anticipates increased rice production.

Wheat output increased from 1.85 million tons to 2 million tons. Chile, the principal wheat producer, had a record 1.7-million-ton crop in late 1986, mostly resulting from high support prices under its price band system. A decline in farm wheat prices is expected to cause some decline in 1987 wheat production. Chile, whose wheat imports declined from more than 1 million tons in 1983 to approximately 200,000 tons in 1987, may show a modest increase in trade in 1988. The Andean region is expected to import 3.6 million tons, mostly to Venezuela and Peru.

Coarse grain production increased from 5.8 million tons to 6.1 million tons in 1986. Corn and sorghum imports will probably increase in 987 to 1.7 million tons. Increased demand for poultry and pork have resulted from growing real incomes in several countries. Venezuela, Colombia, Ecuador, and Bolivia have restricted corn imports. Venezuela will import sizeable quantities of sorghum because of its growing feed industry.

Venezuela's hog feed production nearly matches poultry feed, and dairy feed is growing. Chile has also emerged as a corn importer because of feed industry needs and a shortfall in its own corn production.

The U.S. share of the Andean grain import market has declined in recent years as

Argentina, Canada, and others have made overtures to enter this market.

Argentina

Standing water from flooding in recent years has become a serious problem, particularly in western Buenos Aires Province. Ten percent of the farmland traditionally planted to wheat is under water; sunflowerseed areas have also been affected. Many explanations have been advanced, including the environmental impacts of South American hydroelectric projects, a pattern of more rainfall over the last decade, the diversion of the Quinto River in Cordoba Province, and the lack of investment in drainage by Argentine farmers on low-input land, particularly with range-fed cattle.

In addition to problems with flooding, the soil structure in the heart of the Argentine corn-soybean belt (northern Buenos Aires and southern Sante Fe provinces) has suffered considerably in recent years, so yields may diminish in the future. Soil degradation resulted from the wheat-soybean doubling-cropping boom which began in the mid-1970's. To date, wheat and soybean yields have been relatively high, considering the low level of inputs (fertilizer) used by Argentine farmers. But the outlook for yields is cause for concern.

Historically, Government policies have tended to depress crop prices and increase input prices, thus precluding the introduction of farm inputs, such as fertilizer. Soil structures, fertility, and yields have been maintained by carefully planned crop and livestock rotations. But in recent years, rotation schemes have been violated, and many farmers have depleted the soil's organic content by double-cropping year after year and by eliminating the rotation of croplands with pasture. In particular, share-crop farmers, who are active in the corn belt, are less conservation-oriented than farm owner-operators.

The outlook for lower yields may be reversed by a Government program designed to increase fertilizer use among wheat farmers in particular. Despite the sound economics of increased input use, farmers are generally reluctant to increase the economic risks of higher input use, given Argentina's already shaky business climate. Moreover, economic decision making probably still favors extensive land use over intensive land use.

Argentina: 1987 grain outlook

Local marketing year	Area harvested	Production	Exports	Ending stocks
	1,000 hectares and 1,000 tons			
Wheat (Dec.- Nov.)				
1983-84	6900	12800	7847	1259
1984-85	5950	13200	9400	459
1985-86	5296	8500	4300	259
1986-87	5050	9000	4500	209
Corn (Mar.- Feb.)				
1984-85	3025	9200	5448	91
1985-86	3350	11500	7126	390
1986-87	3500	12100	7367	523
1987-88	3200	10000	5700	223
Sorghum (Mar.- Feb.)				
1984-85	2370	6900	4134	67
1985-86	1965	6200	3140	327
1986-87	1400	4200	1950	177
1987-88	1000	3000	800	177
Total				
1984-85	12295	28900	17429	1417
1985-86	11265	30900	19666	1176
1986-87	10196	24800	13617	959
1987-88	9250	22000	11000	609

Source: USDA, Foreign Agricultural Service, Grains Circular, April 1987.

Brazil

Brazilian grain policy for the last two years has encouraged grain production through favorable minimum support prices and government loans to grain farmers. However, the sale of grain is still taxed. The Sarney government has made increased food consumption a high priority. When drought reduced supplies in 1986, massive grain imports were used to stabilize food prices.

Corn is Brazil's largest crop. The drive to improve production in 1986 was frustrated by drought during the planting season at the end of 1985. Record production is estimated for 1987 as low world prices for soybeans have encouraged expanded corn area, and favorable weather has contributed to record yields.

Corn consumption increased strongly in 1986, despite the reduced crop, because of increased demand for pork and poultry. Consumer incomes grew an estimated 12 percent in 1986, and beef shortages caused

additional demand for other livestock. Corn imports reached 2 million tons. Some of the corn purchased in 1986 did not arrive in Brazil until 1987, and strikes delayed transport. Imports arriving in the same year as a record harvest waste valuable foreign exchange. Moreover, corn consumption growth is likely to slow as the Brazilian economy stumbles and beef supplies return to more normal levels. The price support program will force the Government to be the largest purchaser of corn. However, the harvest is larger than storage capacity, and Brazil is subsidizing corn sales to poultry producers and may export some of the excess supplies of corn. Studies by the Ministry of Agriculture indicate Brazil does not plan to be a regular large exporter of corn. With supply greater than demand, corn production is likely to be less favored in the future.

Brazil has produced record rice crops in 1986 and 1987. Imports in 1986 have contributed to large stocks. The Brazil–Uruguay 5-year trade integration pact allows 200,000 tons of Uruguayan rice into Brazil. Brazil is unlikely to be a major purchaser in the world rice market contingent upon good harvest.

Brazil has had consecutive record wheat crops. The winter wheat crop harvesting at the end of 1985 was aided by the drought that hurt corn. Record yields in 1985, Government–support prices near US$ 240/ton, and tighter control of crop insurance assured expanded and careful wheat planting in 1986. Despite a return to lower yields, wheat production reached 5.6 million metric tons in 1986.

Consumption subsidies and income increases helped wheat consumption to record levels in 1986. Prices were frozen by the Cruzado plan just before an increase in the wheat price was enacted.

Imports fell because production increases outstripped consumption gains. The United States lost market share because 1) Canada has a long-term wheat trade agreement with Brazil and matches U.S. credit offers, 2) the Brazil–Argentine Economic Integration Plan assures expanding purchases of Argentine wheat, and 3) France has increased its sales to Brazil through subsidized prices. In June 1987, Brazil announced the end of consumer subsidies on wheat. The sixfold price increase is likely to cause a drop in demand of 20–30 percent. Brazil's wheat imports may fall somewhat in future years as both production and consumption are likely to be less subsidized.

OILSEEDS

Mexico

Poor weather was largely responsible for reduced oilseed output during the 1986 harvest, but production is expected to partially recover this year. Planting conditions are much improved, and there will be some substitution of oilseeds for diseased–damaged wheat in the major northwest crop zone. Domestic demand is expected to strengthen during 1987, which should help maintain producer prices. Producer plantings, however, will be moderated by rising input and credit costs.

Import demand for oilseeds and products will depend largely on improvements in Mexico's economy. The growth in both oilseed meal and vegetable oil demand is tied to conditions that affect the livestock sector and household use of vegetable oils. The current overcapacity in the oilseed crushing industry has prompted the Government to shift import permits to oilseeds versus products as opposed to last year, which saw a sharp increase in meal and oil imports.

The United States is expected to be the principal supplier of oilseeds, with competition coming from Argentina in soybeans, from Australia and Argentina in sunflower seeds, and from Canada in canola (rapeseed). Canada has been offering attractive financing terms, similar to our GSM–102, and has made large sales to Mexico during the past year. The United States supplies most of Mexico's oilseed product needs.

Caribbean

Caribbean oilseed production is insufficient for domestic needs. In recent years, the United States has been exporting about 100,000 tons of oilseeds, oilseed meals, and vegetable oils, per year. Little change in this trade is expected in the next 2 or 3 years.

The alternatives to imported soybeans, however, may be more viable than alternatives to U.S. wheat and feed grains. The development of African palm and other vegetable oil crops looks promising and may prove to be profitable. This could take several years to determine.

The Caribbean alternatives for cooking oils appear to be more viable than alternatives for soybean meal, which is widely used as a protein supplement in poultry and livestock feeds. Suppliers of soybean meals therefore, should be able to compete effectively in the Caribbean for at least the next 5 years. The greatest threat to U.S. soybean and soybean product markets in the Caribbean is the potential development of new tropical soybean varieties.

Andean Region

Cottonseed and the major oilseed crops, palm oil, and soybeans continued their upward trend, with production reaching nearly 900,000 tons in 1986. Sunflowerseed and canola (a rapeseed hybrid) are being introduced with considerable success. Oilseed imports were steady since the decline in Colombia's soybean imports was matched by increased imports by Venezuela and Peru. Oilseed imports are expected to continue in 1987. Output of the major vegetable oils also took an upturn to 227,000 tons, but failed to the plunge in vegetable oil imports. Peru's fish oil production doubled in 1986 to 220,000 tons, filling the gap. A 10--percent increase in fish meal output to 2.2 million tons supplemented oilseed meal production, with Chile as the principal producer and exporter.

Palm oil--particularly in Colombia--continues to grow, but so far has been used domestically in substitution. But the abundance of palm oil and fish oil have interacted to soften the vegetable oil markets.

Output of major oilseed meals rose in 1986, but was absorbed by increased needs for livestock feed. While Colombia is the largest manufacturer of oilseed meals, only Bolivia and Chile have exportable surpluses. Venezuela, the largest importer of oilseed meals, is expanding its feed manufacturing industry. Thus, oil meal imports (762,000 tons) are growing along with meal production (163,000 tons). The outlook for production of oilseed meal and fish meal is for little change in 1987.

Argentina

Relative prices in Argentina made a pronounced shift favoring soybeans in 1986. However, in the United States the corn/soybean wholesale price ratio was largely unchanged. Although U.S. and Argentine crop prices are positively correlated, relative prices are not because the magnitude of commodity price changes is not uniform in the two countries. For example, in 1986 Argentine corn prices fell 15 percent and the soybean price fell 9 percent, whereas U.S. prices declined 6 and 4 percent, respectively.

Relative crop prices are a major determinant of crop production in Argentina. Soybean, corn, wheat, and wheat--soybean double cropping represent four major options for field crop farmers in the fertile lands of the Argentine corn belt in northern Buenos Aires and southern Santa Fe Provinces. This area accounts for about 45 percent of Argentine soybean production, 35 percent of corn production, and 15 percent of wheat production. In addition, wheat- soybean double cropping is widely practiced in this area so that 50- 60 percent of Argentine soybean area is double cropped, or about 30- 40 percent of Argentine wheat area.

Price elasticity of supply is also important. That is, regardless of price ratios, low prices sometimes do not justify planting certain crops. For instance, lower world wheat prices accounted for a sharp drop in Argentine wheat planting in June 1986. As a result, more area was available for summer

U.S. and Argentine wholesale prices 1/

	Wheat		Corn		Soybeans	
	U.S.	Argentine	U.S.	Argentine	U.S.	Argentine
	(US$ per ton)					
1980	159	188	117	144	282	227
1981	160	199	123	128	258	226
1982	147	137	101	86	220	180
1983	145	98	127	103	259	200
1984	140	92	129	106	263	165
1985 2/	125	83	105	78	207	138
1986 2/	120	81	99	66	199	126

1/ U.S. prices; No. 1 Hard Red Winter (ordinary protein) Kansas City, No. 2 yellow corn St. Louis, No. 1 yellow soybean Illinois processor. Argentine prices; Buenos Aires wholesale price for wheat, corn, and soybeans. 2/ Preliminary.

Argentina: 1987 oilseed outlook

Local marketing year	Area harvested	Production	Crush	Export	Ending stocks
	1,000 hectares and 1,000 tons				
Soybean (Apr.- Mar.)					
1984-85	2910	7000	3617	3132	278
1985-86	3270	6750	3445	2954	294
1986-87	3350	7300	4450	2600	180
1987-88	3650	7700	4675	2650	185
Sunflowerseed (Mar.- Feb.)					
1984-85	1989	2200	2054	146	204
1985-86	2350	3400	3136	390	21
1986-87	3140	4100	3400	500	151
1987-88	2200	2500	2240	250	100
Flaxseed (Dec.- Nov.)					
1984-85	770	660	645	6	9
1985-86	732	626	586	0	19
1986-87	754	484	480	0	9
1987-88	750	550	525	0	9
Total					
1984-85	5669	9860	6316	3284	491
1985-86	6352	10776	7167	3344	334
1986-87	7244	11884	8330	3100	340
1987-88	6600	10750	7440	2900	294

Source: USDA, Foreign Agricultural Service, Oilseed Circular, April 1987.

crop planting in November, including planting of more soybeans and more early planted soybeans.

COTTON

Mexico

The 1986/87 Mexican crop is down by one-third, to 142,000 tons due to poor economic conditions. Low international prices and weak internal demand contributed to this situation. Higher production costs have also squeezed producers' profits. Lower output has reduced cotton exports by almost 40 percent, to 51,000 tons. At the same time, estimated imports increased from 4,000 to 39,000 tons. Domestic shortages forced Mexican authorities to allow above-normal imports to keep cotton mills operating during seasonal slack periods. The United States shipped a modest amount to Mexico in 1986, just under $4 million, but the highest amount since 1983.

The outlook for the 1987/88 season indicates a revival of production, approaching more normal levels of more than 200,000 tons. Producers likely will continue to see profits limited by high costs and low prices. There are indications that cotton growers have been switching to more remunerative crops such as winter vegetables. Consumer demand is expected to pick up slightly, even if the economy shows only moderate growth. Cotton exports will be up, but Mexico will face stiff competition in a tight world market.

Central America

Cotton production, which is concentrated in Guatemala, El Salvador, and Nicaragua, peaked in the late 1970's and has declined since. Total output in 1986 was about 87,000 tons, about 43 percent lower than in 1985. In El Salvador alone, the 1986/87 crop was 42 percent lower than the 1985/86 harvest. The high cost of production associated with cotton has eroded its profitability, while low world prices, and shortages of foreign exchange and agricultural credit have further reduced plantings.

El Salvador's cotton industry also has been hard hit by the insurgency going on in the eastern region, where more than 80 percent of cotton plantations are located. More than 50 percent of cotton lands were affected by agrarian reform.

Guatemala authorized the planting of only 21,000 hectares during this past 1986/87 crop year, claiming that world prices did not merit cotton production for exports. The area yielded about 25,000 tons of lint cotton, barely enough to meet domestic consumption. The possibility of lint cotton world prices reaching more than $1,200/ton has prompted the Government to announce that it will permit a larger area to be planted in 1987/88. If this materializes, total area will probably reach 40,000-45,000 hectares, increasing production to around 45,000 tons.

Nicaragua's total cotton production in 1986 was 43,000 tons lower than in 1985 because of a drop in planting due to war and the negative effects of the "Angular Leaf Spot," a new disease that spread in 1984. About 9,000 hectares have been affected. The Nicaraguan Government announced an emergency special incentives program to increase production. The Government is encouraging farmers to develop disease-resistant varieties, although at least 3 years are required before the new plants would be ready.

The region's falling cotton production harms its textile industry and manufacturing

sector, with probably the greatest potential for medium-term growth. Given the unfavorable situation faced by Central American cotton growers, cotton area and exports are unlikely to increase significantly.

Caribbean

Cotton has not been a significant commercial crop in the Caribbean for years. Small acreages of sea island cotton, which makes a silky and highly desirable cloth, may make a comeback someday, but recent attempts to produce and market it have not been very successful. The outlook for increasing production of sea island and other varieties in the Caribbean is not promising.

The consumption of cotton fabric in the region, however, appears to be on the rise. The flow of U.S. exports to the region will probably increase steadily over the next few years, but this is not likely to show up in the trade statistics for two reasons. First, most cotton is likely to enter the region as cloth pieces for assembly and return to the United States as a final product. Second, most of the assembly may occur in free trade zones, with ownership retained throughout by the offshore firm. Thus, the region could become the next center for wearing apparel assembly for American and European markets.

Andean Region

The decline in global cotton prices and little opportunity for exports of cotton manufactures hampered the cotton industry in 1986/87. In Peru, shifts to other crops like corn and rice have occurred as has a decline in yields due to the moderate El Nino of early 1987. However, the recent turnaround in prices is expected to encourage more cotton area in 1987. Peruvian output is projected at 87,000 tons, up nearly one fourth. Prospects also are brighter in Colombia where production for 1987 also may increase about one-fourth to 142,000 tons.

Brazil

Brazil is the world's sixth largest cotton producer. Most cotton farms are small but organized in cooperatives. The Government treats cotton as an export crop, and recent emphasis on food crops has resulted in less favorable credit terms and support prices for cotton. However, Brazil does not export much raw cotton fiber, preferring to export the cotton as yarn and textiles. Exports of raw cotton are usually not permitted, forcing the cotton farmer to sell to the domestic market. Without direct access to the world market, and with weakened price supports, cotton faces more unfavorable conditions than other crops in Brazil. Moreover, the boll weevil has reached Brazil in recent years, making production more difficult and lowering yields. Area planted declined in 1985/86 and 1986/87. Given this unfavorable situation, cotton area and exports are unlikely to increase significantly. The 1987 crop is projected at more than 700,000 tons, up 14 percent from 1986. Trade in raw cotton most likely will consist of export of surplus low quality cotton and imports of small quantities of higher quality cotton.

SUGAR

Mexico

Mexico is once again a large sugar exporter after importing for several years. Price incentives, good weather, and more efficient sugar mill operations have contributed to this turnaround. A record sugar output in 1985 and a near- record crop in 1986 resulted in surplus production. Depressed domestic demand also contributed to large exportable supplies. Another record sugar harvest is forecast for 1987. Sugar exports are expected to more than double to one-half million tons during the 1986/87 marketing year (Nov.-Oct.). This will be the largest export volume since the 1975/76 season. The largest markets for Mexican sugar are the Soviet block countries, Western Europe, and the Middle East. Although most of the exports are transhipped through the United States, the U.S. sugar import quota for Mexico is only 6,600 tons.

The Mexican Government has made a concerted effort to boost sugarcane production and, at the same time, make its sugar processing operations more efficient. Subsidies to the sugar industry have been heavy in the past, but are now being reduced. Several old mills have been closed, and more are scheduled to be shut down. Some operations will be sold to the private sector, which currently controls about 25 percent of the industry's production capacity. Only the

Government's sugar agency, AZUCAR, is allowed to export sugar.

Domestic demand for sugar over the past 4 years has been hit by falling real wages and high unemployment. The per capita consumption of sugar is higher in Mexico than in almost any other nation, and much of that consumption is in the form of soft drinks. Lower subsidies to soft drink manufacturers will likely raise prices and further dampen demand. This also will tend to shift consumption from industrial to household uses.

Central America

Sugar is the most widely distributed product in Central America and is of importance to all seven countries on the isthmus. Sugar is Belize's most important product, and it was Panama's leading export earner. Guatemala is the largest producer, with about 30 percent of the total 1.6 million tons produced annually in Central America. Belize produces 8 percent, and the others each produce 12- 13 percent.

The decline in world prices and the continued reduction in U.S. sugar quotas have affected the economies of these countries so drastically that some are considering the possibility of producing ethanol.

For El Salvador, sugar is the second most important export crop after coffee accounting for about 4 percent of total agricultural output and total exports. The Government has made a tremendous effort to make its sugar processing plants more efficient. The sugar industry is heavily subsided because of its importance as a source of employment. The National Institute for Sugar (INAZUCAR) has plans to increase internal sugar consumption through an increase in the production of ethanol. There is one sugar plant producing ethanol, and two more plants are expected to be installed in 1988 and 1989.

The small increase in world price detected in mid--1986 made the Government of Guatemala increase the area planted in sugarcane by almost 12 percent, consequently increasing production by 6 percent. In Costa Rica some cane growers are already planting coffee instead of sugarcane because of the 50--percent reduction in the country's quota. The government has not yet made a decision on sugarcane, but it is expected that some small and inefficient mills will be closed shortly.

Caribbean

Contrary to popular opinion, more countries in the Caribbean are importing sugar than exporting it. Cuba remains the number one exporter in the Caribbean and the world. Brazil, the EC, and perhaps one or two other countries could challenge Cuba as the leading sugar exporter, although together these countries export less than half as much raw sugar as Cuba.

Cuba currently exports 6 to 7 million metric tons annually. More than half of this sugar goes to the USSR and Eastern Europe, where a premium in excess of 40 cents per pound reportedly is paid for it. Cuba does not ship sugar to the United States.

Sugar, however, remains the primary source of export revenue in only two Caribbean countries and a secondary source in

Central America sugar quota allocations
(short tons, raw value)

Country/ Percentages		10-01-82 09-30-83	09-26-83 09-30-84	10-01-84 11-30-85	12-01-85 12-31-86	01-01-87 12-31-87
Belize	(1.1)	30,800	33,462	27,940	18,876	10,010
Costa Rica	(1.5)	42,000	62,415	52,302	34,713	17,583
El Salvador	(2.6)	72,800	89,163	74,561	49,999	10,010
Guatemala	(4.8)	134,400	146,016	121,920	82,368	7,500
Honduras	(1.0)	28,000	59,514	50,017	32,713	7,500
Nicaragua	(---)	58,800	6,000	6,000	--	--
Panama	(2.9)	81,200	88,218	73,660	49,764	26,390
Total Quota		448,000	484,788	406,400	268,434	78,993

Source: World Sugar and Molasses Situation and Outlook, Foreign Agricultural Service, May 1987.

only a few others. Cuba and St. Kitts, the region's largest and smallest producers, respectively, get more than 50 percent of their export earnings from sugar. Barbados, Guyana, and the Dominican Republic get 20 to 40 percent, and the rest of the Caribbean earns little, if any, revenue from sugar. At least 10 Caribbean countries import all the sugar and sweeteners they consume.

The Dominican Republic, the second largest producer of centrifugal sugar in the Caribbean, exports only about one-tenth the amount of sugar as Cuba, but remains the largest foreign supplier in the U.S. market. More than half of Dominican sugar was exported to the United States as recently as 3 or 4 years ago, but less than a quarter of a million tons will be shipped to the U.S. market in 1987 because of reductions in the U.S. quota. Although the Dominican Republic holds a 17-percent share of the U.S. global quota, Dominican sugar exports have declined from about 700,000 tons to about 450,000 tons annually. The Government has tried to find new markets for its recently acquired surpluses but has not been very successful. In response to growing stocks, Dominican cane farmers have cut production by about one-third over the past 3 years, bringing severe hardship to thousands of rural families who depend on the sugar industry.

The only countries still producing exportable quantities of sugar in the Caribbean are Cuba, St Kitts, the Dominican Republic, Barbados, Trinidad, Guyana, Jamaica, Puerto Rico, and the French West Indies. Caribbean sugar must be subsidized in all Basin countries to maintain production at current levels. Sugar production, however, is likely to continue for some time because it is an excellent cover crop for the region's fragile soils, and it employs a lot of laborers. But exportable quantities are not expected to grow rapidly, if at all, except perhaps in Cuba, even if world sugar prices and markets improve considerably. Nevertheless, sugar may remain in these countries for many years as a primary source of food, income, and employment for a significant number of people.

Haiti is closing down its commercial sugar operations. Haiti used to be a net exporter, but became a net importer several years ago when the Government no longer was willing to subsidize commercial cane production. Commercial production essentially ended with the recently announced closing of the HASCO mill.

Andean Region

Andean sugar production did not change significantly from 1985 to 1986. Production increased in Venezuela, Chile, and Peru but was down in Ecuador and Colombia. Colombia, the largest producer, had a sharp cutback in acreage, but yields were higher. In foreign trade, exports were lower in 1986 mostly because of the cutback in the U.S. sugar quota. The decline in Ecuador's production was also due to reduced acreage, but floods in the major producing area at the beginning of the crop year led to reduced yield. Ecuador fulfilled its raw sugar quota to the United States, but the estimated shortfall is being covered by refined sugar imports from Central America. Peru also had a short crop. Increased demand for soft drinks is causing greater use of sugar, but Peru like Ecuador will fulfill its sugar quota to the United States and import for domestic use.

Chile and Venezuela had increased outturns in sugar, which will preclude imports. A 30-percent increase in Venezuela's sugar cane production and existing stocks covered demand in 1986, but there are some prospects for import needs of 50,000 tons in 1987, because of stock depletion.

Chile is self-sufficient in sugar since higher farm prices for sugar beets from the price band system have spurred production.

Brazil

Brazil is the world's largest sugar cane producer, but only a third to a half of the cane is used to produce sugar. The majority of the cane is used to produce ethanol, some of which is mixed with gasoline, but most is used in specially designed cars that run on pure alcohol. Since almost all new cars in Brazil are run on alcohol only, sugar cane area harvested has expanded rapidly in recent years.

In 1987, Brazilian sugar production and exports may be limited by the need to produce alcohol. Consumers bought more cars and used more alcohol in 1986 than had been planned for. Alcohol stocks had been

oppressively high in 1984 and 1985 as production of alcohol achieved targets, while demand remained more sluggish. Sharply lower alcohol stocks in 1987 are causing the energy sector to press for alcohol production at the expense of sugar exports, and Brazil is postponing some sugar shipments. However, due to its sluggish economy, it is likely that the demand for alcohol has been overestimated. Later in 1987, Brazil may alter its production plans and produce more sugar for export.

TROPICAL PRODUCTS

Central America

Coffee and bananas play a key role in the economies of most countries of the region, and both commodities are a major source of foreign exchange. The Central American countries produce about 9 million bags (60 kilograms each) of coffee annually or supply 10 percent of world production. El Salvador, Costa Rica, and Guatemala are all leading suppliers, harvesting more then 70 percent of this production. Coffee production in the region is estimated at 9.12 million bags in 1986/1987, up 12 percent from the 8.18 million bags produced in 1985/86. Guatemala alone produces one third of the total output despite reduced use of inputs, especially of fertilizers and pesticides caused by increased costs, the loss of preferential exchange rates, and growers' cash flow problems.

Although Guatemalan foreign exchange earnings of $615 million from coffee exports during 1986 were well above the $451 million earned in 1985, they were not nearly as much as Guatemala government officials had hoped, and stocks were drawn down to relatively low levels. While Costa Rican coffee exports during 1986 were valued at a record $400 million, an increase of almost $80 million over 1985, coffee exports totaled only 1.3 million bags compared with 2.3 million in 1985. Costa Rica failed to take advantage of the high coffee prices to export as much as possible, apparently anticipating even better prices that never materialized. As a result, Costa Rica ended the 1985/86 marketing year with stocks of about 1 million bags, compared with a carry- in of 873,000 bags. El Salvador's economy and coffee growers did not benefit as much from the dramatic price increase because much of the 1985/86 harvest was sold under forward supply contracts before the price rise began in October.

Because of the higher coffee prices, the quota system was suspended on February 1986, and most coffee has been traded in the free market since last December. However, the recent fall in coffee prices may reverse the situation. The current price of coffee is about $1.00/lb., representing about $720 million less in foreign exchange earnings for these countries.

Bananas are produced for export everywhere except Belize and El Salvador. The region produced 3.3 million and exported about 2.8 million tons in 1986. Total output was reduced because of labor strikes and diseases.

Caribbean

A few tropical products from the Caribbean reach the United States, but Europe historically has been the primary market. Central and South America are the primary foreign suppliers of tropical products to the United States. Some U.S. producers feared Caribbean producers would react quickly to the free trade provisions of the Caribbean Basin Economic Recovery Act (CBERA) or the Caribbean Basin Initiative (CBI) after enactment in August 1983. Production of a whole host of tropical fruits, vegetables, melons, and nuts, for example, was supposed to expand rapidly. However, to date, only a few success stories have materialized. Production and marketing cost/price ratios are too narrow for many products currently produced in the Caribbean to induce any rapid entry of new producers.

Most islands in the Caribbean will be forced to compete with Mexico, which ships the largest quantities of winter fruits and vegetables to the United States. Coffee, bananas, sugar, molasses, beef and veal, cocoa, and tobacco dominate the trade. Nontraditional tropical products, on the other hand, have shown steadier growth since the early 1980's, until recently.

Andean Region

The Andean region had bumper crops of its major tropical products bananas, coffee, and cocoa beans. With a record crop of 1.8

million tons of bananas, Ecuador regained its position of largest banana exporter in the world. While Ecuador and Colombia, the region's second largest producer, are forecasting larger crops, black sigatoka disease threatens their banana plantations.

Because of the increase in global coffee prices, more coffee was harvested in 1986 than in 1985. Colombia, the region's largest producer, increased its harvest 13 percent to 744,000 tons. Because of receding prices, the 1987 harvest is expected to drop back somewhat. Coffee rust is a continued threat to coffee production in the region.

Ecuador's cocoa bean crop more than doubled to 128,000 tons in 1986. The Government policy to boost the exportable surplus of cocoa through producer price increases and improved production credit, and the subsequent improvement in cultural practices led to the boost in production. The outlook for 1987 is a drop to a more normal production level.

Brazil

Brazil produces a vast array of tropical products. The most important exports are coffee, FCOJ, and cocoa. Coffee is Brazil's largest export, generating 2.4 billion U.S. dollars in 1986, despite a very small crop devastated by drought during flowering in 1985. FCOJ export volume increased more than 70 percent in 1986, but plummeting prices caused value to fall over 15 percent, to 636 million dollars, down from more than 1.4 billion in 1984. Cocoa and product exports fell in 1986 about the same amount as for FCOJ, generating $675 million. While FCOJ prices have improved in 1987, and export earnings are likely to increase, prospects for coffee and cocoa depend on how international marketing agreements are resolved.

When Brazil's coffee crop fell from 33 million bags in 1985/86, to less than 14 million bags in 1986/87, the world price moved above the price range of the International Coffee Agreement, dissolving the export quota system. Prospects for a 1987/88 crop similar to the large 1985/86 crop have caused prices to collapse in 1987. However, no agreement has been reached on the reimposition of export quotas as Brazil has resisted demands that it accept a smaller share of the world coffee market.

LIVESTOCK

Canada

Slumping grain fortunes will be offset to a certain extent by profitable margins in the hog, cattle, and sheep industries on mixed farms. Hog profits have been ranging from good to exceptional since last May. Low feed prices will keep production costs down through the end of this year, but production increases in 1988 will create downward pressure on hog prices.

The cattle industry is in a transitional phase from liquidation toward expansion, and all livestock sectors are taking advantage of low feed grain prices. Price strengthening going on in the beef sector, however, is dampened somewhat by reduced consumer demand.

Three years ago, lamb prices dropped to 50 cents (Can.) a pound, the lowest price in 8 years. Now prices are at approximately Can. $1.00 a pound live weight for lamb, and shortages are keeping the price up. An increased demand from China for domestic wool has also pushed prices up 15 cents per pound over last year's 50 cents. Prices for lamb and wool, however, will continue to face strong competition from Australia and New Zealand.

Hog numbers at 10,825,000 were up on January 1, 1987 by 2 percent compared with last year, while cattle and sheep numbers declined. Total cattle and calves decreased 1 percent this year, from 10,590,000 in January 1986. Beef cow numbers increased 1 percent, while dairy cows declined by 2 percent. Total sheep and lamb numbers dropped 2 percent to just under half a million.

Canadian cattlemen don't expect to find themselves in a tariff battle with the United States, but they are preparing just in case. The Canadian Cattlemen's Association has already prepared its defense for public hearings on beef to be held by the U.S. International Trade Commission.

Mexico

The downturn of the Mexican economy since 1982 has greatly affected the livestock industry, perhaps more than any other sector. The real minimum wage has been falling and domestic prices have increased as the Government cut back on consumer price subsidies. In 1986, demand for meat and dairy products was dampened further as economic growth turned negative. These events induced consumers to substitute for relatively cheaper livestock products and to increase consumption of less expensive, nonlivestock products such as grains.

U.S. livestock sales to Mexico were cut 13 percent in 1986, reflecting reduced demand and abundant domestic supplies. The largest export decreases occurred in live cattle (mostly dairy), pork, variety meats, inedible tallow, and hides and skins. Nonfat dry milk (NFM) sales, however, expanded by 73 percent because of low Mexican prices for milk and Government-sponsored programs to improve child nutrition. U.S. sales of NFM in 1986 were worth $43 million, or 13 percent of total livestock exports to Mexico. NFM is also considered a cheaper alternative to fresh fluid milk and other high protein livestock products. Heavy imports of live dairy cattle over the past few years are expected to reduce the demand for imported NFM beginning in 1987.

Good pasture conditions and a limited domestic market boosted Mexico's exportable cattle supplies in 1986. As a result, the Government raised the live cattle export quota to just more than 1 million head for the 1986/87 season (Sept.-Aug.), the highest ever. The United States is Mexico's primary market for feeder cattle, importing over one million head in 1986. This trade was worth $282 million to Mexico and accounted for 14 percent of total Mexican agricultural exports to the United States. Mexico's cattle exports in 1987, might continue at last year's level.

Central America

Despite the region's economic and civil problems, production of poultry and swine continued to grow in 1986, registering gains of 4 and 3 percent, respectively, especially in El Salvador and Guatemala. Consumption of poultry and pork has been increasing at the expense of beef, primarily because of their price competitiveness.

Beef production and exports did not fair well in 1986, mainly because of shortages of slaughter cattle caused by the dry weather. Exports were banned in most countries due to low production. The only exception was Costa Rica, where beef exports increased sharply to 81.2 million pounds. The United States received 94 percent of those exports. In Honduras, elimination of a Government subsidy that kept internal slaughter prices artificially high was the main reason for lower exports.

The Central American countries have a deficit in milk production although production has increased in countries such as Costa Rica, which produced 390 million liters in 1986 and imported none. Honduras is trying hard to increase milk output to cut imports that amounted to $15 million a year. However, limited processing and adequate storage capacity are impediments to development of the industry.

Caribbean

Livestock of all types are found in the Caribbean. Poultry meat, mutton (including goat meat), pork, and seafoods are common fare, but beef tends to be scarce. Each year a little beef is exported by the Dominican Republic, a few goats and sheep enter inter-island trade, and some seafood is sold, but the region remains a net importer of livestock products.

Few changes in meat supplies have been noted in recent years, except for pork in Cuba, Haiti, and the Dominican Republic. African swine fever forced the total eradication of all hogs on the island of Hispaniola in the early 1980's, but subsequent restocking programs have not been as successful as expected in Haiti and the Dominican Republic. Furthermore, the replacement stock has little wild blood and does not gain rapidly unless raised under feedlot conditions. This is good news for U.S. grain and oilseed exporters, but bad news for small farmers who cannot afford to buy commercially mixed feeds.

This has delayed the restocking programs because small farmers do not want the

replacement pigs. They want pigs that can forage for themselves when mixed feeds are scarce. Consequently, the Caribbean has been forced to import more meat than normal in recent years.

Poultry and fish historically have been imported to maintain supplies when stocks of domestic meats are considered inadequate to meet domestic demand. Pork and broiler production in Jamaica, and at times in other countries, has frequently been limited because of restrictive government polices that delay the timely importation of feed stuffs. Consequently, Jamaica has become the third or fourth largest market for U.S. poultry products abroad. Nevertheless, attempts are being made to expand poultry in the region, which should support a continuing demand for U.S. feedstuffs.

Andean Region

Poultry production had a considerable growth spurt in 1986, which will continue into 1987. Most Andean countries encourage poultry production in periods of economic growth to satisfy growing consumer demand for meat. Colombia alone showed a 6-percent increase in broiler production. After a shortage in early 1986 resulted in great imports and cancelled exports, Peru has taken a new interest in its poultry industry. Egg production also has risen. Since poultry is the principal user of mixed feed in the region, growth in the broiler and egg industries immediately translates into higher intake of feed grains and protein meals. Hog production also increased. Venezuela's hog industry is becoming more commercialized, and more mixed feed is used in the sector.

Dairy production has increased faster than beef. Colombia's beef production has slowed because of depressed prices and guerrilla activities in the rural areas. Beef exports also have declined for several years after Venezuela's import market reversed itself due to exchange rate differentials. Dairy feed production has grown, mostly in Venezuela.

Argentina

Argentina's beef cattle industry has been in the liquidation stage of the cattle cycle since 1977. Stocks recovered briefly between 1982–84, but beginning in 1984 the slaughter rate increased rapidly and inventories fell.

These developments were the result of competition for pastures by crop agriculture. Higher returns for field crops encouraged switching land out of pastures and into crop agriculture. In some instances, conservation practices (rotating crops and pastures) were abandoned, resulting in a permanent commitment to crop agriculture. The downturn also was due to the change in Europe's position as a major importer of Argentine beef to a major competitor in world beef markets.

Dairy liquidation policies in the EC are largely responsible for declining Argentine beef exports which continue at depressed levels: Only 220,000 metric tons were exported in 1986, compared to the last 5-year average of 400,000 metric tons. Exports in 1987 are forecast at 250,000 metric tons.

In contrast to lackluster beef exports, per capita beef consumption rose to a record 83 kilos in 1986, compared to an average 70 kilos between 1982–84. Surprisingly, higher per capita consumption was accompanied by higher beef prices.

Argentine beef consumption is the world's highest, so the Consumer Price Index gives heavy weight to meat prices, nearly 15 percent. As a result of the supply function inherent in the cattle-raising cycle, the evolution of meat prices tends to generate inflation. Argentina has a long history of inflation and inflation-fighting policies, and these policies are prone to include intervention in the cattle sector, including beefless weeks and price controls.

In 1986, the Argentine Government accumulated intervention stocks of imported pork and poultry. To date, however, beef prices have been allowed to rise, reflecting supply and demand factors in world markets.

Beef production is currently one of the few bright spots in Argentina's farm sector. Grain and oilseed prices have not kept pace with price increases, in contrast, beef prices have managed to keep well ahead of

Argentina: Wholesale price indices

	General 1/	Nonagri-cultural	Agri-cultural	Grains	Oilseeds	Cattle
	Annual percentage increase					
1982	260	250	300	235	206	367
1983	358	354	373	330	449	338
1984	574	586	551	663	659	536
1985	663	694	490	623	680	570
1986	63	53	111	62	29	135

1/ Wholesale price index, percentage increase over previous year. Source: Instituto Nacional de Estadistica y Censos, Argentina.

agricultural prices. Nonetheless, herd liquidation is expected to continue in 1987, albeit at a slower rate.

Brazil

The Cruzado Plan froze meat prices in Brazil at the end of February 1986, in direct conflict with the normal seasonal price pattern. Much of Brazil's grazing area has a distinct wet and dry season. As the dry season (June, July, and August) approaches, slaughter increases to reduce herds to the low levels sustainable during the dry season. During and shortly after the dry season, few cattle are available for slaughter. This price cycle is well-recognized, and the Government usually buys a reserve of about 50,000 tons of beef when the prices are low, and imports beef from Uruguay and Argentina to sell beef during the dry season.

Problems began in 1985, when the dry season extended into September and October, and then drought hit the normally moist Southern States in early 1986. The government and cattle producers could not agree on a price to set for acquiring the normal seasonal reserve. When the Government froze all prices as part of the Cruzado Plan, the only way it could increase domestic supplies was to forbid exports and arrange massive imports. Beef exports fell about 100,000 tons in 1986. Brazil bought about 200,000 tons from EC stocks and 90,000 tons from the United States as part of the dairy reduction program, all at low prices of $415 to $665 per ton. However, delivery of the imports was delayed and domestic demand increased due to the income effect of the Cruzado Plan. Beef shortages and empty selves were one of the first signs of the Cruzado Plan's failure.

The beef shortages presented an opportunity for expanding pork and poultry domestic sales. Prices provided attractive returns. Production expanded, and poultry exports fell. In late 1986, new export sales of poultry were forbidden.

In 1987, the beef sector should begin to recover from the drought and Government intervention of 1986. Pork and poultry are likely to continue to expand despite the outlook for weaker domestic demand.

CARIBBEAN BASIN INITIATIVE STIMULATES INCREASE IN NONTRADITIONAL EXPORTS

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During the first 3 years of the Caribbean Basin Initiative (CBI), a few Caribbean and Central American exporters took advantage of the 12-year duty-free treatment rule, under Sec. 218, Title II, P.L. 98-67. However, CBI exporters have had 5 years to plan for the Initiative because Congress took nearly 2 years to draft the bill, which is formally entitled, The Caribbean Basin Economic Recovery Act (CBERA) of August 5, 1983. The duty-free treatment provisions did not become available to eligible recipients until January 1, 1984, or 2 years after the President announced his proposal for stimulating economic growth in the Caribbean Basin.

Three full years of duty free options have now been available to CBI exporters and much has been learned in the interim. New business ventures, however, are still being developed in

U.S. Imports of selected agricultural products
from Central America and the Caribbean

Calendar year imports	1979	1980	1981	1982	1983	1984	1985	1986 2/
				Million U.S. dollars				
Total 1/	2,085	2,136	1,865	1,535	1,755	1,918	1814	2131
Traditional	1,985	2,039	1,745	1,418	1,617	1,739	1617	1916
Coffee	890	739	433	506	524	599	645	1005
Bananas	268	292	360	363	392	400	451	419
Sugar	335	657	636	264	425	429	265	220
Beef Fr,Frozen (Inc. veal)	308	226	183	165	133	100	118	131
Molasses	33	31	47	23	29	40	18	24
Cocoa	126	76	65	68	65	99	84	88
Tobacco	25	18	20	29	49	72	36	29
Non-traditional	100	97	120	117	138	179	197	215
				Percentages of				
Total	5.0	5.0	6.0	8.0	9.0	10.0	11.0	10.0
Annual	-2.0	-3.0	3.0	-3.0	18.0	30.0	10.0	9.0

1/ A simple summation of official U.S. agricultural imports from the Caribbean and Central American regions provides a very close approximation of U.S. agricultural imports from CBI countries.
2/ As Revised May 15, 1987. (Table updated June 17, 1987.)

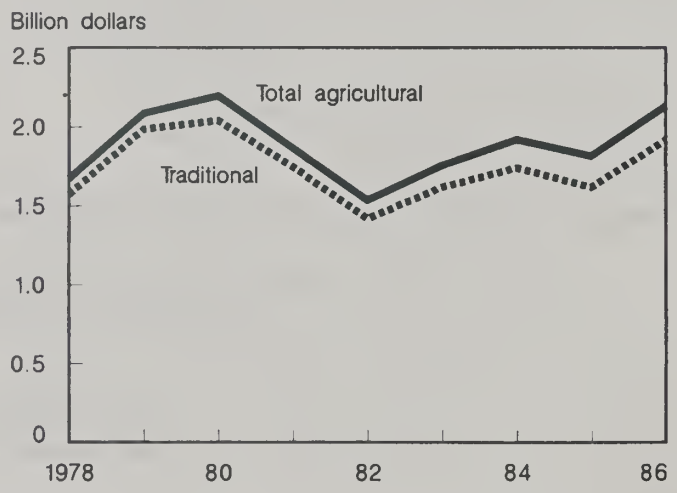
Source: ERS-USDA Trade Statistics.

the private sector. But the process of increasing the flow of CBI agricultural products to the U.S. market has been painfully slow. It takes a lot of time, energy, and money to develop new and self-sustaining economic activity. Tariffs and duties are not the only barriers to trade, as all experienced traders know. Many other classic production, marketing, and nontariff barriers exist, which were not abrogated by the CBI and must still be overcome.

Nevertheless, producers, wholesalers, and exporters in some CBI countries have successfully increased the flow of a few agricultural products to the United States during the first 3 years of the CBI program. But quantifying the changes is more difficult than it might appear because of annual and seasonal price changes, export production variations, and import demand fluctuations. However, the CBI has had a measurable effect on the flow of nontraditional products to the U.S. market.

By definition, "traditional" includes seven commodity groups, which account for most of the agricultural exports of CBI countries to the United States over the past 20 years. The seven are bananas, coffee, sugar, beef, cocoa, molasses, and tobacco. Cotton and some others could be added, but the volume exported is insignificant. "Nontraditional" products in this analysis include all other agricultural commodities not included above. According to current U.S. trade statistics, the nontraditional group contains at least 450 tariff schedule categories regularly imported from the CBI region. A summary of both traditional and nontraditional agricultural imports from CBI countries over an 8-year period is shown in the accompanying table.

CBI Agricultural Exports to U.S.



Two years ago, U.S. imports of nontraditional products from the CBI were on the rise again after reaching an unexplained plateau of about $100 million annually in the late 1970's. U.S. imports of total agricultural products from the designated CBI countries peaked in 1980 after more than 10 years of steady growth. The world recession of the 1982–84 period depressed prices of key exports and generated an apparent slump in the dollar value of CBI exports. Although the slump appeared to be over in 1986, this was misleading because the price of coffee exports temporarily spiked in 1986. However, continuing improvements in nontraditional sales since President Reagan first announced his CBI proposal in 1981 strongly suggest it is working as intended. The magnitude of the gains to date have been small, but they are positive.

Two years ago, however, CBI analysts questioned whether the Initiative could sustain 30 percent annual increases in nontraditional exports as reported during the first year of duty free options. That caution proved wise because nontraditional sales to the United States increased but at a decreasing rate, from 10 percent the second year to only 9 percent the third year. The actual dollar value increases, however, were stronger, averaging more than 10 percent in each of the first 3 years. In conclusion, it appears nontraditional sales will continue to capture an increasing share of total CBI agricultural exports to the United States over the next few years. The Caribbean's main competitors will remain Mexico, Columbia, Chile, and other countries of the Western Hemisphere.

PRODUCER SUBSIDY EQUIVALENT CALCULATIONS: BRAZILIAN SOYBEANS

By
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"Soybeans have been the product in which Brazil has invested the major part of its economic incentives, principally credit allocation and subsidization. At the same time a parallel set of policies were administered which controlled export quantities and imposed taxes, making the net result of the combination of incentives and disincentives very ambiguous." (Translation from CFP, "The Intervention of Government in Agricultural Markets in Brazil" [CFP–IGM, p.14])

The calculation of producer subsidy equivalents (PSEs) allows a measurement of different and contrary policies in one index number that includes the net effect of government intervention. This is specially useful for Brazilian soybeans, where the government intervenes in the market with many changing policies.

PSE Results

The benefits derived by the soybean producer from the availability of subsidized credit are defended as offsetting the taxation and losses caused by government intervention in the soybean market. This generalization does not necessarily hold. Table 1 shows large year to year changes in the estimates of incentives and disincentives resulting from various policy measures. The estimated PSEs indicate that the Brazilian soybean producer was subsidized slightly in 1982, subsidized substantially in 1983, and suffered a significant taxation in 1984 as a result of policy interventions. On the average, the net effect on Brazilian soybean producers appears to have been slightly negative for the 1982- 84 period. The average tax level imposed by the combination of policies employed in the 1982–84 period was about 1 percent of the value of production (after adjusting for inflation by converting the value of production and policy transfers into U.S. dollars at a parity exchange rate).

Policy Objectives

Policies both subsidizing and taxing soybean producers are justified by (1) the need to ensure adequate domestic supply and (2) stimulate the Brazilian soybean crushing

Table 1. Producer subsidy equivalent estimates for soybeans in Brazil

	1982	1983	1984
Level of production, mt	13,135	14,750	15,700
Producer price, Cr/mt	33,030	79,333	345,000
Producer value, Mil. Cr.	433,849	1,170,167	5,416,500
POLICY TRANSFERS:	Millions of cruzeiros		
1. Research	2,027	5,161	9,225
2. Subsidized credit			
o Production credit	86,382	271,554	1,060,746
o Marketing credit	62,056	183,536	137,100
3. Domestic & export taxes	(85,108)	(372,464)	(1,597,030)
4. Market interventions	67,630	17,526	(180,091)
5. Exchange rate adjustment	(122,659)	47,146	(149,833)
TOTAL TRANSFERS:			
Millions of cruzeiros	10,327	152,460	(719,882)
Millions of U.S. dollars	91	909	(1,384)
Cruzeiros per metric ton	786.22	10,336.27	(45,852.35)
U.S. dollars per metric ton	$3.66	$19.88	($27.67)
Percent of crop value	2.38	13.03	-13.29
PSE as a percent of crop value	1982-84 Weighted Average		
Current cruzeiros 1/	-7.94		
Parity exchange rate 2/	-1.23		

1/ Calculated by dividing sum of total transfers by the sum of the producer value for 1982-84.
2/ Calculated as above except adjusted by a parity exchange rate.

SOURCE: ERS estimates from Brazilian data.

industry. The Government wants inexpensive and abundant food supplies. Yet, chronic shortages of soyoil are caused by domestic price controls. The strategy of maintaining low prices extends to soybean meal to provide cheap inputs for the mixed feed industry. The drive to expand the crushing industry comes from the "infant industry" argument and attractiveness of exporting valued-added products over raw materials. The mix of policies employed has reduced soybean production costs through subsidized credit, providing domestic supplies at relatively lower prices to meet domestic needs while stimulating exports of processed products.

Brazil has expanded its soybean crush and increased significantly the proportion of soybeans exported as processed product. Soybean crush more than doubled in the 1960's, from 185,000 to 612,000 metric tons, and increased nearly tenfold between 1970 and 1979, from 932,000 to 9.1 million metric tons. By 1980, Brazil had reached a crush of 13.0 million metric tons, a level more or less maintained since then. Until 1975, Brazil exported roughly equal amounts of raw soybeans and soybean meal. From 1975 to 1980, the proportions changed dramatically. In 1980, 1.5 million metric tons of raw

Estimated price distortions for Brazilian soybeans

Year	1977	1978	1979	1980	1981	1982	1983	1984
Price Distortion 1/	-28	-20	-18	-33	-20	-4	-21	-24

1/ Distortion = (actual producer price - border parity price) divided by the border parity price X 100
SOURCES: CFP estimates at harvest for 1977 to 1983, ERS estimate for 1984.

soybeans were exported compared to 7.3 million metric tons of soybean meal, a proportion that has continued through the 1980's.

During the 1980's, the disincentives to soybean producers caused by taxes and intervention in the market probably served to reduce the growth in production, domestic supply, and exports. As a result of disincentives, it has been argued that the country lost its impetus for expansion and the soybean sector stagnated [CFP-IGMA, p. 14]. Growth in area and production in the late 1970's and 1980's was much slower than in the late 1960's and early 1970's.

Policy Transfers

Research

Government spending on creating and disseminating improved technology can be considered an indirect subsidy to farmers since at least some portion of the benefits of higher yields and lower production cost should accrue to producers as higher income. Public research expenditures (1980-81) were about 1.0 percent of agricultural value-added, a substantially higher proportion than spent in other Latin American countries. It is difficult to estimate and allocate returns from soybean research investments in Brazil. Consequently, the transfer to the soybean sector was estimated by multiplying the share of soybeans in the value of total agricultural output times Federal research expenditures. Research was a relatively small transfer as compared to other policy instruments.

Credit

Subsidized credit for both production and marketing was available to soybean producers in generous amounts compared with other crops. In 1981, soybeans represented

approximately 15 percent of the value of the official credit distributed for crop production. In that same year, soybean's share of the value of total crop production was estimated to be approximately 16 percent. While the soybean share of total crop value (in constant 1976–78 prices) remained about the same through 1984, the percentage of production credit allocated to soybeans increased to 22 percent. Until 1984, soybeans also received the lion's share of official marketing credits.

From 1978 through 1983, the real value of soybean production credit provided by the national rural credit system varied annually, with no apparent trend, between 120 and 170 billion (as measured in constant 1981 cruzeiros). In 1984, however, production credit availability dropped markedly. Changes in the amount of credit provided can be attributed to changes in Brazil's monetary and financial conditions. The comparatively lower levels of credit availability in 1981 and 1983 are reflected in the PSEs by relatively smaller transfers to soybean producers in 1982 and 1984 crop years. (Production credit is obtained for planting in October of the year prior to harvest under the terms prevailing at that time.) Credit subsidies represented 23 percent of the value of soybean production for the crop harvested in 1983 and 20 percent for the crops harvested in 1982 and 1984.

During the same period the real value of credit for marketing had been declining steadily, again with the most dramatic decline occurring in 1984. This decline in marketing credit is reflected in a major reduction in its relative value as a subsidy to producers in 1984.

Brazilian soybean producers received both a direct and an indirect subsidy by borrowing from the national agricultural credit system. The direct subsidy resulted from farmers being charged rates of interest lower than alternative prevailing rates. The indirect subsidy results from repaying fixed loan obligations with cheaper currency due to high rates of inflation.

Conceptually, farmers would be receiving a subsidy if the interest rates they were charged were lower than alternative commercial market rates. Choosing the alternative interest rate against which agricultural credit programs can be compared

Table 2. Soybean production credit subsidy estimated for Brazil

	1981/82	1982/83	1983/84
	Millions of Cruzeiros		
A. Amount of production loans	127,291	290,863	681,229
B. Estimated interest due			
1. Rural credit system rates	43,912	95,420	500,769
2. At "Treasury Bill" rate	84,805	248,566	1,105,811
3. Direct interest subsidy (line 2 minus line 1)	40,893	153,146	515,043
C. Inflation effect			
1. Depreciated value of a cruzeiro loaned at repayment	0.73	0.69	0.54
2. Total principle + interest of the loan to be repaid	171,203	386,283	1,181,998
3. Implicit inflation subdidy 1/	45,488	118,408	545,703
D. Total credit subsidy	86,381	271,554	1,060,746

1/ Calculated by multiplying (1.0 minus C1) x principle and interest repaid

SOURCES: ERS estimates based upon Government of Brazil and International Financial Statistics data.

is an important step in estimating subsidies. A conservative comparison is to contrast the interest rate paid on government borrowing with the cost of agricultural loans. Soybean producers in Brazil received a direct subsidy because they were charged interest rates lower than the rate the Treasury paid on its own borrowings. If farmers had paid at least the same rate as the government did on the Treasury Bills it issued, the interest cost on soybean production and marketing loans would have been considerably higher. (See B in Tables 2 and 3.)

A major change in rural credit policy, initiated in July 1983, started Brazil on a path toward phasing out the subsidy to agricultural credit derived from fixed interest charges which were well below the prevailing inflation rate. From December 1980 through December of 1982, legal rates of interest charged on production loans were 45 percent where soybeans are grown. These rates were adjusted for the first half of 1983 to 60 percent. Meanwhile, the annual inflation rate measured by the wholesale price index was 90, 104, and 240 percent, respectively, for the years 1981, 1982, and 1983. Beginning in July 1983 producers were no longer charged a fixed rate of interest, but instead paid a variable interest rate indexed to inflation. The interest rate for production credit for the 1983–1984 crop was calculated based upon 85 percent of monetary correction plus 3 percent. The monthly interest on outstanding production loan balances averaged 8.1 percent per month, or about 100 percent on an annual

Table 3. Soybean marketing credit subsidy estimated for Brazil

	1981/82	1982/83	1983/84
	Millions of Cruzeiros		
A. Amount of credit loans	133,623	295,025	251,194
8. Estimated interest due at:			
1. Rural credit system rates	30,061	88,462	146,972
2. "Treasury 8ill" rate	69,617	255,049	232,772
3. Direct interest subsidy (line 2 minus line 1)	39,557	166,587	70,683
C. Inflation Effect			
1. Depreciated value of a cruzeiro loaned at repayment	0.70	0.53	0.56
2. Principle + interest repaid	163,683	383,486	395,528
3. Implicit inflation subsidy	49,056	180,986	172,477
D. Total credit subsidy	88,613	347,573	243,115

1/ Calculated by multiplying (1.0 minus Ci) x principle and interest repaid.

SOURCES: ERS estimates based upon Government of 8razil and International Financial Statistics data.

Table 4. Comparison of actual and border equivalent producer prices for soybeans in 8razil

	1981	1982	1983	1984
	Cruzeiros per metric ton			
A. F.o.b. value at port	24,627	41,445	122,720	493,767
1. Export Tax (5%)	0	0	6,136	24,688
2. ICM tax (13%)	3,201	5,388	15,954	64,190
3. Other taxes	85	311	920	3,703
4. Commercial expenses port to interior	2,269	4,192	7,937	28,148
8. F.o.b. value-interior	19,072	31,554	91,773	373,038
1. Local marketing costs	288	320	2,100	7,427
	Per 60 kilograms			
2. Subtotal per 60 kg	1,127	1,874	5,380	21,937
3. Social security tax	28	47	135	548
C. Estimated producer price				
1. Taxes paid	1,099	1,827	5,246	21,388
2. Without taxes	1,324	2,216	6,761	27,492
D. Actual producer price	1,054	2,136	5,317	20,700
	Cruzeiros at parity exchange rate			
E. Estimated producer price (taxes paid) adjusted by parity rate	1,439	2,387	5,054	21,961

SOURCES: This table draws upon an analysis done by the 8razilian Commission for Financing Production (CFP) entitled, "An Analysis of the Distortions of Domestic Prices In Relation to Border Prices," adjusted and updated by the authors.

basis, for the 1983-84 crop loan period. While more than double the previous crop years' interest rates, there was still a major difference between inflation (approximately 250 percent per annum) and the rate of interest charged in the 1983- 84 crop year. The percent of monetary correction assessed to most of Brazil's soybean producers was adjusted to 100 in July 1984.

The indirect subsidy results from inflation in general price level that occurs between planting and harvest. If this price level doubles, as has been common in Brazil, producers repay their principle plus interest obligations with only half of the equivalent amount of the inflated currency at harvest time. The difference between the loan's depreciated value and the original obligation is one measure of the subsidy to the farmer due to inflation. As can be seen in item C-3 in Table 2., with high rates of inflation this difference becomes large. A similiar subsidy occurs with marketing loans (item C-3, Table 3).

Taxes

A value-added tax (ICM) is charged on Brazilian soybean exports which, in turn, reduces the domestic price to soybean producers. The ICM tax drives a 13-percent wedge between world prices and domestic Brazilian prices.

In addition to the ICM, an export tax was imposed in February 1983 to prevent windfall profits on exports following a large currency devaluation. Initially, the export tax was set at 30 percent but was reduced to 20 percent, and further reduced to 5 percent by March. Since only the early harvest in Parana might have been affected by higher rates, it is reasonable to assume that the majority of the 1983 harvest was affected by the tax at the 5 percent level. This tax was continued through the 1984 season.

The estimated cost to producers of the ICM and other taxes is given in line 3 of Table 1. As may been seen, the ICM tax, export taxes, and other minor taxes represent a major cost to the producer. In fact, taxes are estimated to have a negative impact on the soybean producers' returns equivalent to 20, 32, and 29 percent of crop value for 1982, 1983, and 1984 respectively.

From Table 4 it is observed that the estimated producer price without taxes, or the border parity price representing the free market without government intervention, was above the actual price the farmer received. This means Brazilian soybean farmers earned less for their crop than would have been the case had there been free access to the export market and no taxes on the product. According to the CFP's study of price distortions, actual prices to farmers for soybeans have been less than border parity prices since at least 1977.

Exchange Rates

The soybean producer has been implicitly taxed because the Brazilian cruzeiro was

Table 5. Comparison of border parity prices using official and estimated purchasing power parity exchange rate 1/

	1982	1983	1984
	-- Cruzeiros/ 60 Kg bag --		
Border parity price at official exchange rate	1,827.17	5,245.88	21,388.24
Border parity price at parity exchange rate	2,387.47	5,054.09	21,960.85
Actual producer price	2,136.10	5,317.17	20,700.00

SOURCES: ERS estimate of border parity prices. Actual producer prices are average for May through July from the Getulio Vargas Foundation.

overvalued against other currencies. The f.o.b. dollar export price would have yielded additional cruzeiros at a more realistic exchange rate, and the producer would have received higher prices. This was clearly the case in 1982, somewhat less important for 1984, and not true of 1983.

To test the contribution of exchange rate overvaluation as an implicit taxation of soybean producers, a purchasing power parity exchange rate was calculated and a border parity price to the farmer was estimated based upon this exchange rate. The parity exchange rate was estimated by taking the monthly wholesale price index for Brazil over the U.S. wholesale price index times a 1980 shadow exchange estimated by the World Bank. The f.o.b. price of soybeans was then converted to cruzeiros at the parity exchange rate and border parity prices were recalculated. The comparison of border parity prices at the official and parity rates is shown in Table 5.

An exchange rate closer to the estimated parity rate would have implied a significantly higher price to farmers in 1982 when the Brazilian cruzeiro was greatly overvalued. Given 1983's major devaluation, the situation was reversed; border parity prices at official rates were actually larger than with the parity exchange rate. In fact, the parity exchange rate estimated suggests that the cruzeiro was undervalued during the 1983 harvest, which was to the advantage of the soybean producers. (It should be recalled, however, that a direct export tax was imposed in that year to offset the advantage represented by the devalued exchange rate.) While once again overvalued in the 1984 harvest season, the cruzeiro's value was not sufficiently out of line as to have a major impact on producer prices.

Market Interventions

In addition to taxes, the Brazilian Government has intervened in the soybean and soybean products market using a number of different policy mechanisms. Since there have been multiple objectives for market intervention -- increasing production, assuring adequate domestic supplies, expanding exports (particularly of processed products), and stimulating the domestic processing industry -- the net impact on the soybean producer of these Government actions for any given year is not always clear. The ultimate size of the harvest, specific government actions based upon forecasts of supply and domestic needs, and the timing of market interventions did result in either protection or penalization of the producer. The analysis presented in the CFP study of price distortions suggests that until the harvest of 1982, border parity prices minus taxes were consistently higher than actual producer prices. From 1977- 1981, producers ultimately were taxed by the combination of market interventions employed. However, during 1982–84, farmers appear to have been both protected and implicitly taxed by market interventions. As may be seen in Table 1 (line 4) and Table 4 (comparing lines C and E), the price that the producer received locally in 1982 and 1983 was higher than the world price less the applicable commercial costs and taxes. This suggests that market interventions, other than taxes, resulted in an implicit subsidy or protection of the soybean producer for these years. The situation is reversed for 1984. In that year, the border parity price minus taxes was once again more than the actual producer price. This result indicates that the soybean producer was implicitly taxed by the government actions taken in the 1984 crop year.

Government interventions in the soybean and soybean product markets can result in an implicit subsidy in 1 year and a tax in another. Brazil's market interventions over the last decade can be categorized by their intended purpose as follows:

1. Interventions to increase production:
   - o Minimum producer prices – initiated in 1946

2. Interventions to assure domestic supplies at "acceptable" prices:
   - o Registration and licensing of exports – initiated in 1958

- Export quotas
- Domestic quotas, filled prior to permission for exports
- Contingency schemes, where a ratio was established between domestic sales and allowable exports
- Suspension of exports for given periods
- Price controls on soybean oil and oilmeal sold domestically
- Direct subsidies on domestically consumed oil and meal
- Imposition of export taxes added to the value-added (ICM) tax

3. Interventions to stimulate domestic crushing industry
   - Lower value-added (ICM) export taxes charged for soybean products than for raw soybeans
   - Exemptions of oil exports from value-added (ICM) tax
   - Concessionary credit for exports of soybean oil and meal, but not for raw soybean exports
   - Credits against value-added tax (ICM) for soybean oil exports
   - Exemption of income tax on earnings from oil exports
   - "Drawback" scheme: soybeans imported for reexport as byproducts free from import taxes and with special credit arrangements
   - Exemption of taxes on profits from hedging on external futures markets, while losses can be charged as business expenses

Policy Implementation

The relevance of the PSE calculation is the way it summarizes the effects of so many complicated rules and regulations. With a careful look at the policies employed in each of the following years, the relationship between specific market interventions and the domestic prices received by farmers can be seen.

1982 --- Free Trade Commitment

The Brazilian Government committed itself to free trade in soybean and product exports for the 1982 crop. This commitment was respected despite a historically small crop due to somewhat reduced plantings and poor weather. As a result, there was apparently keen competition for domestic supplies since there were no quotas on exports, and domestic price controls had been lifted for soyoil and soybean meal early in the previous year. Comparing the domestic harvest of about 13.0 million tons with the nation's oilseed crushing capacity of approximately 27.0 million tons, it would be expected that demand for soybeans during the 1982 harvest was very strong. Indeed, the actual prices received by farmers were calculated to be nearly 17 percent above border parity prices minus taxes.

At midway through the harvest, the Government took actions to facilitate imports by exempting importers of beans and soyoil from a tax on the purchase of the foreign exchange required to obtain these products on the world market. Imports under the drawback system, which allows processors to import beans duty free for crushing and reexport, were eligible for credit at interest rates of 4.5 percent per month. This rate was well below commercial interest rates or the pace of inflation, which averaged more than 8.0 percent per month during 1982. The combination of a reduced domestic harvest and incentives to import soybeans resulted in the rare phenomenon of Brazil importing more soybeans than it exported in 1982.

Beginning in June, the Government did take actions that altered incentives for importing and exporting soybeans and products. In June, concessionary credit for soyoil exports was suspended. Later in the year, the decision was made to halt all further purchases of soybeans under the drawback system and then to prohibit all imports of soybeans and products. These actions were said to have been taken in an attempt to achieve the largest possible trade balance for the year.

1983 --- Devaluing the Cruzeiro

The year began with a major devaluation of the cruzeiro against the dollar. Since there were still no quantity restrictions on exports, the devaluation could have been a major stimulus to domestic soybean prices. The Government offset that advantage immediately by imposing a 30-percent export tax on soybeans and soybean products. This export tax was in addition to the value-added taxes applied to these exports. Shortly

thereafter, the new export tax was reduced to 20 percent. By harvest time the export tax had been further reduced to 5 percent. Concessional credit was available for soybean meal and soyoil exports, but loan levels were reduced. In June, interest rates on these credits were raised from 40 to 60 percent, which was still concessional given the prevailing inflation rate. Further, domestic price controls were reimposed in the early part of the year. In all, these actions could be expected to reduce the strength of the crusher's demand for domestic soybeans.

Nonetheless, the differences in the value-added (ICM) tax on exports of soybeans and products continued as a stimulus to exporters of processed soybean products. Since 1980, the ICM charged on raw soybeans exported has been 13 percent compared to 11.1 percent on meal and 8 percent on soyoil. In addition, drawback imports remained closed through the harvest period, so crushers were dependent upon domestic soybeans as a source of supply. The combination of policies that prevailed, in conjunction with a larger harvest than in 1982, appears to account for the decline in the positive price wedge between the producer price and the border parity price minus taxes.

In the second half of 1983, policy actions taken lead to the conditions prevailing at the 1984 harvest. In late June, the Secretariat of Planning announced that price increases on some items would be limited to 80 percent of the nation's inflation index, including crude soybean oil. This meant that the domestic price of crude soyoil only could be raised 80 percent of the pace of inflation of the cruzeiro. In August, however, agreement was reached to eliminate price controls on domestic soyoil and soybean meal. Industry agreed to limit the price increases on canned oil until September after which oil prices would be free. In that same month, the concessionary credits for soybean oil and meal were suspended, oil imports free of tax were authorized, and the Government temporarily forbid additional export registrations. The temporary suspension of exports was done to assure domestic supplies and avoid undervaluing exports. The resumption of exports was soon worked out between the Government's export agency, CACEX, and the industry under new stricter rules for registering and reporting export sales.

In early September, authorization for drawback imports was again given, but without concessionary credit. At that time it was expected that little use of drawback authorization would be made by the industry without the special credit provisions. Next, the National Monetary Council authorized the import of soybeans, meal, and oil. Finally, the Central Bank extended the period on the export commitments related to concessionary export credits through May 1984 to allow shipments from next year's crop. Exporters were also allowed to deduct sales into the domestic market, through the end of 1983, from their export commitments. In October, CACEX ceased registering any new exports of soybeans or soyoil from the 1983 crop, and registered soybean meal exports on a case-by-case basis. The general direction of actions taken in the second half of 1983 was weighted heavily toward the objective of assuring domestic supplies.

The prices received by farmers for their 1983 crop were calculated to be 1.36 percent above the border parity price estimate minus taxes. Thus, except for the tax burden, the farmer received approximately what would have been expected under a free market system permitting unrestricted access to the world market.

1984 - Limiting Exports

Restrictions on soybean and product export quantities persisted through the 1984 harvest season. Uncertainty resulted from frequent changes in the quotas, and the lack of incentives to exporters that had been available in the past is reflected in prices received by producers in 1984. Indeed, actual prices received by farmers were 3.2 percent below the estimate of border-parity prices minus taxes for this year.

The 1984 harvest began with suspensions of export registrations for the new crop. The stated rationale for the February suspension was an attempt to bolster international prices by holding the Brazilian crop off the market. It was March before the export suspension was partially lifted, and then an elaborate quota system was imposed which underwent numerous changes during the 1984 harvest. On March 12, registrations were reopened, but exporters were limited to 40 percent of their exports for the same month in 1983.

Registrations were limited to shipments only through May for soybeans, April for soybean meal, and June for soyoil. At the end of March, quotas were increased to 60 percent of a company's 1983 exports and the periods extended to June shipments for soybeans and meal, and July for soyoil. Under the new rules, companies were no longer limited to 60 percent of their 1983 exports for an individual month, but could instead export their full quota for the extended period at any time. Also, a company could convert its allotment of raw soybean exports to processed products.

In April, the 60-percent limitation on soybean meal was eliminated, and exporters could register any amount for shipment prior to the end of June. In early May, the 60-percent limit on soybeans was removed, with the shipment period extended through July. This was almost no sooner done than registrations of soybeans and soyoil were closed again. By mid-May, registrations of soyoil exports were opened again, this time at 80 percent of 1983 exports. Soybean export registrations remained closed, but soybean meal exports could continue to be made without quantity restrictions. Soyoil export registrations were partially closed once more, and then registrations were reopened with soybeans limited to 100 percent of 1983 exports, soyoil limited to 80 percent of the previous year, and soybean meal without limit for shipments through the end of July. The week of June 25th, CACEX opened registrations for shipment beyond July under the same quotas. In August, a global quota was established of 1.3 million metric tons for soybean exports, 850,000 metric tons for soyoil, and unlimited quantities of soybean meal. In that same month, free trade in soybeans and product exports was announced for the next crop year.

While all of these changes were occurring in export quotas, other policy actions were also taken. Beginning the first of January, interest rates on concessionary export financing were raised to 70 percent of the change in the monetary correction index plus 3 percent. Then in March, concessionary financing of exports under Resolution 674 was discontinued. Imports under the drawback system were again permitted, but without special financing. Clearly, some of the specific incentives to exporters that had been available in the past were no longer present.

THE DEBT: U.S. AND LATIN AMERICAN TRADE

By
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Agricultural Economists

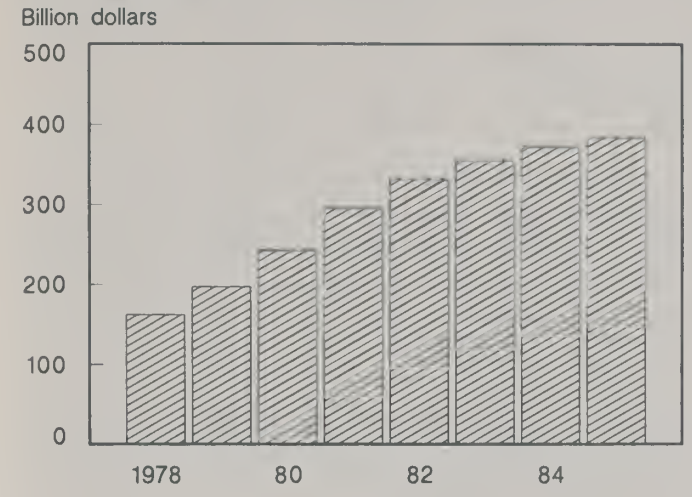
For the past decade, the debt of developing countries, particularly in Latin America, has increased sharply. In the past few years, the massive increase in the debt has strained domestic and international economic affairs for both governments and private sectors. There are many reasons for concern about the debt including its impact on a country's ability to import goods and services. Debt may be the main reason U.S. farm exports to Latin America have dropped recently, and it "will severely limit a country's ability to purchase goods in the world market during the 1980s" resulting in lower growth that will also lower imports in the future. 1/

Latin America's long term debt increased by 12 times from $28 billion in 1970 to $324 billion in 1984 and currently accounts for two-thirds to three-fourths of the world total. 2/

1/ Joint Economic Committee, Congress U.S., *The Impact of the Latin American Debt Crisis on the U.S. Economy*, May 1986. Shane, Matthew D. and Stallings, David, *FINANCIAL CONSTRAINTS TO TRADE AND GROWTH: THE WORLD DEBT CRISIS AND ITS AFTERMATH*, FAER-211, December 1984, USDA, Economic Research Service.

2/ World Bank, *World Development Report, 1986*, p.212, table 17.

Total External Debt for Latin America and Caribbean



Latin America long-term debt: 1970 - 1985

Year	1970	1975	1980	1981	1982	1983	1984	1985
				Billion Dollars				
Debt	28	68	173	209	237	286	313	324

SOURCES: External Debt of Developing Countries, World Bank, 1986-1987 Edition.

The region's total debt is currently near $380 billion, requiring servicing equal to nearly one-third of the region's exports. Latin America accounted for seven of the top 11 major debtor nations in 1985: Brazil accounted for $108 billion; Mexico, $106; Argentina, $53 billion; Venezuela, $34 billion; Peru, $15 billion; and Colombia, $14 billion. 3/ In 1984, the long- term debt service as a percentage of exports for these countries ranged from a high of nearly 50 percent for Mexico to 25 percent for both Peru and Colombia. 4/

The region experienced strong economic growth during the fifties, sixties, and through the mid 1970's. The region's demand for domestic and imported goods and services increased steadily through most of the 1970's. At the same, time, the population growth rate declined, urbanization increased, and agriculture's share of GDP continued to fall. Imports rose sharply as consumption grew faster than output, making many countries more dependent on imported food. Overvalued currencies made it easy to borrow to import, and debt levels increased sharply. The early 1980's were a time of recession in the developed countries, which compounded the debt problem since demand for most of the region's exports declined. Tight money policies in the developed world caused higher interest rates, while at the same time foreign private lenders sharply curtailed lending.

Most countries in Latin America experienced a sharp slowdown in growth during the period 1973-84 compared to 1965-73.5/ With the slowdown in population growth, per capita GDP grew but at much slower rates than in the earlier period. The period 1982-85 saw even slower growth. Austerity programs in the 1980's, which arose because of debt servicing requirements, limited financial resources, which combined with other factors resulted in reduced demand.

From the early 1970's to 1981, world trade expanded strongly (about 17 percent annually). For the period 1981 to 1985, world trade declined (exports by about .5 percent per year and imports by about .1 percent per year). Since Latin America accounted for most of the world debt after 1981, it might be assumed that debt was an important factor affecting trade, forcing Latin America's share of world imports downwards as financial resources were drawn to service the debt.

In the case of nonfarm imports, that is what happened in Latin America from 1979/81 to 1982/85. Total imports fell, and the region's share of world imports declined from 6.1 percent to 4.6 percent. Latin America's share of world exports increased slightly from 4.4 percent to 4.7 percent.

World agricultural trade also expanded strongly during the period from the early 1970's to 1981, averaging more than 13-percent growth annually for both exports and imports. For the early 1980's, both declined about 3 percent per year. Similar to nonfarm trade, the total value of trade shrank. One might expect farm trade to react in the same manner as nonfarm trade. However, two other factors enter the picture, weather and food. First, agricultural trade in

3/ *The Washington Post*, Sunday, January 11, 1987.

4/ World Bank, *World Development Report*, 1986, p. 212, table 17.

5/ World Bank, *World Development Report*, 1986, page 182, table 2.

U.S.-Latin America trade: 1970 - 1986

Year	1970	1975	1980	1981	1982	1983	1984	1985	1986
Exports to Latin America					Million Dollars				
Nonfarm	5,788	14,651	38,011	34,929	27,716	20,154	23,505	17,028	n.a.
Farm	688	2,274	6,172	6,367	4,438	5,213	5,285	4,224	3,641
Imports from Latin America									
Nonfarm	3,533	12,466	29,657	32,068	31,957	35,246	40,130	38,806	n.a.
Farm	2,254	3,611	7,255	6,544	5,652	6,177	7,173	7,639	8,229

SOURCES: Economic Research Service, Foreign Agricultural Service, USDA; International Financial Statistics, 1986.

Latin America is tied closely to production, which is weather-dependent. Second, while a shortage of financial resources may limit nonfood imports, it seems likely that food imports would have a high priority for governments faced with rising populations.

Latin America's share of world farm imports also declined, from 5.3 percent to 4.7 percent from the late 1970's to the early 1980's. But that represented an 11-percent drop in its share compared to a more than 25-percent drop for nonfarm imports. The smaller percentage drop in farm imports most likely was due to the need to supply urban populations with food (and production increases). Total food production in this period increased 9.1 percent. The region's share of world farm exports increased from 13.8 percent to 14.2 percent.

The U.S.'s share of world agricultural imports was up nearly 11 percent to slightly more than 8 percent of the world total for the period 1982/85 compared to 1979/81. However, on the export side, the U.S.'s share fell 7 percent to a 17.2-percent share of the world's farm exports.

Latin America is an important trading partner with the United States. In 1986, Latin America accounted for $30 billion, about 15 percent, of total U.S. exports. U.S. agricultural exports to the region were $3.6 billion, about 14 percent of the U.S. total. Latin America supplies 11 percent of total U.S. imports, or $42 billion, while accounting for nearly 40 percent, $8 billion, of U.S. farm imports.

When looking at the total U.S. farm trade picture with Latin America, the United States increased its share of a declining market most likely because of the Export Enhancement Program. However, when looking at some individual commodities, the picture is quite different. The U.S. share of the Latin American market and world market has declined. In addition, while the Latin debt has affected its farm trade, the more serious impacts of the debt may well be in the future as debt affects the region's growth.

SOUTH AMERICAN SOYBEAN AND PRODUCT EXPORTERS

By
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Brazil, Argentina, and Paraguay are the leading competitors in the world soybean and product markets otherwise dominated by the United States. The soybean harvest starts in February in Brazil and April in Argentina and Paraguay. In 1987, these competitors' soybean output was an estimated 25.6 million tons, compared to 54.6 million tons harvested in the United States beginning in September. Preliminary estimates indicate that the South American exporters' production is up 3.6 million tons from last year's drought-reduced level.

South American exports of soybeans and byproducts are a forecast 18.9 million tons, compared to U.S. exports of 26.1 million tons. Soybean exports are expected to reach 6.2 million tons, or about 25 percent of production. In comparison, U.S. exports are forecast at 19 million tons, or 35 percent of production.

The competitors' soybean crush is a forecast 18.2 million tons, compared to about 31.7 million for the United States. Assuming a normal extraction rate, the competitors' meal production is estimated at 14 million tons, compared to 25 million in the United States. The competitors export about 80 percent of their soybean meal output, whereas the United States exports about 25 percent. Thus, soybean meal exports from South America are forecast to be almost twice U.S. export levels, or 11.2 million tons compared to only 6.6 million tons.

Area, production, and use of soybeans and products by the United States and Competitors 3/

Year 1/	1980/81-1983/84	1984/85	1985/86	1986/87 2/
	(million tons and million hectares)			
United States				
Area harvested	28.11	26.76	24.92	24.05
Production	54.21	50.64	57.11	54.62
Soybean export	23.21	16.28	20.14	19.05
Crush	28.66	28.03	28.66	31.71
Soymeal export	6.29	4.46	5.45	6.58
Soyoil export	0.87	0.74	0.57	0.50
Competitors 3/				
Area harvested	11.14	13.97	13.35	13.58
Production	19.72	25.98	22.00	25.60
Soybean export 4/	3.99	6.88	3.89	6.17
Crush	15.32	17.29	16.56	18.23
Soymeal export 4/	9.47	11.27	10.11	11.23
Soyoil export 4/	1.26	1.37	0.92	1.52

1/ U.S. soybean marketing year (Sep/Aug) (t) and Southern Hemisphere soybean local marketing year(t-1), where t = year. 2/ Preliminary or forecast. 3/ Competitors defined as aggregate of Brazil, Argentina, and Paraguay. 4/ Net exports.

The following trends emerge from a comparison of soybean data for the two periods 1980/81–1983/84 and 1984/85–1986/87:

- Competitors' soybean production increased 22 percent and soybean crush increased 13 percent, while U.S. production and crush remained unchanged.
- Competitors' exports of soybeans increased 42 percent, up 1.7 million tons, while U.S. soybean exports declined 20 percent, down 4.7 million tons.
- Soybean meal exports from the competitors increased 15 percent, up 1.4 million tons, while U.S. soybean meal exports declined 12 percent, down 0.8 million tons.

Prices and Policies Will Influence Outlook

U.S. farm policy is a major determinant of world prices for soybeans and some other major crops, such as corn and wheat. The prospects for South American soybean exports can be influenced by the relative prices for these commodities. World prices eventually transmit to the domestic prices of foreign nations, but transmission of world commodity prices can be distorted by each nation's farm policies and economic conditions. Therefore, it is important to consider the policies of the soybean-exporting nations in South America, since these policies may partially offset the effect of world prices or delay the response to world price signals. Timing of the response

may also be significantly influenced by supporting credit, transportation, and other service-related institutions.

Policies Favor Soybean Meal Exports

In both Brazil and Argentina, soybean crushers benefit from differential export tax policies--taxing oil and meal exports at a lower rate than exports of unprocessed soybeans. In Argentina, for example, soybean exports are currently taxed at about 15 percent of the f.o.b. or export price, while oil and meal exports are taxed at 3 percent of the f.o.b. export price. As a result of these differential export taxes, domestic prices for soybeans in Argentina run about 15 percent below world or export prices, while domestic prices for soybean meal and soybean oil only run about 3 percent below world prices. Thus, crushing margins in Argentina, based on domestic prices, are higher than what would be indicated by world market prices for soybeans and byproducts.

In recent years Argentine soybean crushing has expanded very rapidly, reducing the availability of raw soybeans for export and increasing the export of soybean meal. Brazil, on the other hand, has relaxed its controls on raw soybean exports. In effect, the soybean and byproduct export policies of Argentina and Brazil are moving in opposite directions. Still, export policies in both nations continue to favor the export of soybean meal over unprocessed soybeans.

Relative crop prices are a major determinant of soybean production in Argentina. However, even though Argentine wholesale prices in the long run tend to move in the same direction as U.S. prices, price ratios in the short run do not necessarily move in the same direction as price ratios in the United States.

U.S. and Argentine price ratios 1/

Year	Corn/Soybean		Wheat/Soybean	
	Argentina	U.S.	Argentina	U.S.
	(percent)			
1980	63	42	83	56
1981	57	48	88	62
1982	48	46	76	67
1983	52	49	49	56
1984	64	49	56	53
1985 2/	57	51	60	60
1986 2/	52	50	64	60

1/ U.S. prices: No. 1 hard red winter (ordinary protein) Kansas City, No. 2 yellow corn St. Louis, No.1 yellow soybean Illinois processor. Argentine prices: Buenos Aires wholesale price for wheat corn, and soybeans (converted to $US).
2/ Preliminary.

Soybean, corn, wheat, and wheat-soybean double cropping represent four major options for field crop farmers in the fertile lands of the Argentine corn belt--in northern Buenos Aires and southern Santa Fe Provinces. This area accounts for about 45 percent of Argentine soybean production, 35 percent of corn production, and 15 percent of wheat production. In addition, wheat-soybean double cropping is widely practiced in this area; 50-60 percent of Argentine soybean area is double cropped, that is, about 30-40 percent of Argentine wheat area. Thus, Argentine farmers can easily switch to soybean production if warranted by the prices of other field crops.

The correlation with the U.S. crop price-ratios is weak because Brazilian corn and wheat policies complement food security and social welfare goals, whereas soybean and byproduct policies are designed to generate export earnings and industrial development.

Brazilian farm policies have combined with drought to reduce Brazilian soybean production in both 1986 and 1987. In addition, prices for soybeans and products discouraged expansion of soybean area. In contrast, Brazilian policies maintained corn, rice, dry edible beans, and other food crop prices at levels that encouraged farmers to plant these crops for the domestic market instead of soybeans for export. Brazil had the flexibility during 1985 and 1986, to implement these policies because it had improved its balance of payments. In 1985 and 1986, Brazil benefited from falling international interest rates, debt rescheduling, and declining petroleum prices. Brazil's exports grew from US$20 billion dollars in 1980 to US$27 billion in 1984, while imports fell from US$23 billion to less than US$14 billion.

The decline in the southern soybean areas was partially offset by the more northerly area expansion. Even with the government and world market price disincentives, soybean area continued to expand in central-west Brazil. There, total agricultural area is

expanding supported by investments in transport. Soybeans are considered better suited to the rainfall patterns than alternative crops.

Policies are expected to increase exports of tradeable commodities in 1988. Renewed emphasis on export earnings from soybeans and byproducts likely will supplant food policy considerations, due to recent economic difficulties, including a diminishing trade surplus and the burdensome foreign debt.

World prices favoring soybeans are likely to combine with policy changes in Brazil and Argentina that encourage expanded soybean area, accelerating production increases in 1988.

Table 1.--Western Hemisphere: Population, gross domestic product, and foreign exchange holdings 1/

Country	Population			Gross Domestic Product			Foreign exchange holdings.4/		
	1985	1986	Change	1984 2/	1985 3/	1986 3/	1985	1986	change
	Millions		Percent	Mil. dol.	Percent	Percent	Million dollars		Percent
Mexico	79.7	81.7	2.5	173,615	2.7	-3.8	4,906.0	3,680.0	-25.0
Barbados	0.3	0.3	0.4	775	-0.8	2.0	137.4	149.1	9.1
Cuba 5/	10.1	10.3	0.6	26,200	4.8	2.5	350.0	300.0	-14.3
Dominican Republic	6.1	6.2	2.8	7,837	-3.0	-2.0	426.2	376.2	-11.7
Haiti	5.2	5.3	1.0	1,728	1.0	2.0	6.3	9.2	46.0
Jamaica	2.3	2.3	1.7	4,081	-5.0	1.0	161.3	98.0	-39.2
Trinidad/Tobago	1.2	1.2	1.5	3,342	-3.1	-4.0	873.5	264.2	-69.8
Other islands	1.6	1.6	1.5	2,162	2.0	2.5	400.0	420.0	5.0
Belize	0.2	0.2	2.0	163	-3.0	1.0	12.7	24.3	91.3
Guyana	0.9	0.9	1.1	588	1.0	1.5	6.5	9.0	38.5
Suriname	0.4	0.4	1.0	987	0.0	-2.0	22.6	20.1	-11.1
Caribbean	28.3	28.7	1.5	47,863	1.6	1.2	2,396.5	1,670.9	-30.3
Costa Rica	2.6	2.7	3.8	4,241	1.0	3.0	506.4	523.4	3.4
El Salvador	5.0	5.1	2.0	3,687	1.4	-0.5	179.6	169.7	-5.5
Guatemala	8.3	8.6	3.6	9,795	-0.9	0.0	300.9	362.1	20.3
Honduras	4.5	4.6	3.1	3,051	1.4	2.0	105.8	111.3	5.2
Nicaragua	3.2	3.3	3.1	2,839	2.6	0.0	180.0	170.0	-5.6
Panama	2.1	2.2	4.8	4,688	3.3	3.0	85.1	133.9	57.3
Central America	25.7	26.5	3.1	28,301	0.9	1.2	1,357.8	1,470.4	8.3
Argentina	30.7	31.2	1.6	63,024	-4.4	5.5	3,124.0	2,308.0	-26.1
Paraguay	3.9	4.1	5.1	6,309	4.0	1.0	469.8	365.4	-22.2
Uruguay	2.9	2.9	0.0	6,429	0.5	5.0	160.0	470.0	193.8
Brazil	139.8	143.3	2.5	230,043	8.2	8.0	10,604.0	5,803.0	-45.3
Bolivia	6.2	6.3	1.6	5,518	-2.1	-3.7	200.0	258.8	29.4
Chile	12.0	12.3	2.5	21,521	2.4	5.7	2,449.6	2,351.1	-4.0
Colombia	29.3	29.9	2.0	32,063	2.8	5.3	1,595.0	2,556.0	60.3
Ecuador	9.4	9.6	2.1	11,108	3.2	1.7	689.4	588.2	-14.7
Peru	19.7	20.2	2.5	20,465	1.9	8.5	1,827.0	1,596.3	-12.6
Venezuela	17.3	17.8	2.9	42,694	0.2	3.1	8,937.0	5,026.0	-43.8
Andean	93.9	96.1	2.3	133,369	1.6	4.5	15,698.0	12,376.4	-21.2
Latin America	404.9	414.5	2.4	688,953	3.5	3.3	38,716.1	28,143.3	-27.3
Canada	25.4	25.6	0.8	326,769	4.0	3.3	1,574.0	2,318.0	47.3
Western Hemisphere 6/	430.3	440.1	2.3	1,015,722	9.8	7.8	40,290.1	30,461.3	-24.4

1/ Regional totals include only those countries for which data are shown and may not add up because of rounding. 2/ Economic and Social Progress in Latin America, 1986, IDB; and individual country reports. 3/ Estimates of growth in real terms. 4/ International Financial Statistics, IMF, April 1987. 5/ Estimates and forecasts. 6/ Excludes the United States.

Table 2.--Latin America: Indices of total and per capita agricultural and food production 1/

Country	Total						Per capita					
	Agriculture			Food			Agriculture			Food		
	1984	1985	1986	1984	1985	1986	1984	1985	1986	1984	1985	1986
	1976-78 = 100											
Mexico	109	115	109	120	122	126	98	96	97	100	99	100
Barbados	107	111	114	107	111	114	105	108	111	105	108	111
Cuba	134	134	126	134	134	127	127	126	117	127	126	118
Dominican Republic	113	105	102	120	111	110	93	85	80	99	89	86
Haiti	110	100	105	109	97	101	98	87	90	97	85	87
Jamaica	98	88	85	94	86	81	91	82	78	88	79	74
Trinidad/Tobago	79	80	83	81	81	85	70	69	71	71	71	73
Caribbean	121	117	113	122	119	115	110	104	99	111	106	101
Caribbean less Cuba	107	99	98	108	100	100	94	85	83	95	86	84
Costa Rica	125	106	122	104	107	111	103	84	94	85	85	86
El Salvador	91	89	84	112	108	106	81	78	71	100	94	91
Guatemala	105	104	107	115	117	119	83	80	80	92	90	89
Honduras	124	115	108	128	118	108	97	87	79	99	89	78
Nicaragua	85	77	72	96	88	82	69	61	55	78	70	69
Panama	123	122	122	120	118	118	105	118	118	102	99	97
Central America	104	98	99	110	108	107	86	79	77	90	86	83
Argentina	123	120	112	126	123	114	109	104	96	112	108	98
Bolivia	104	112	108	103	111	107	87	91	85	86	90	84
Brazil	130	145	132	127	139	133	108	118	105	106	113	105
Chile	117	121	128	117	122	128	104	106	109	104	106	110
Colombia	122	122	124	123	126	127	106	104	103	106	107	106
Ecuador	116	139	145	118	141	144	94	110	112	96	112	111
Guyana	91	87	83	90	85	83	90	85	82	89	84	81
Paraguay	134	152	130	127	145	127	106	116	96	100	110	94
Peru	105	103	101	102	101	98	87	84	79	84	81	77
Suriname	145	149	146	145	149	146	141	141	137	141	141	137
Uruguay	102	113	114	99	107	109	99	109	110	97	104	105
Venezuela	120	129	136	123	131	138	97	101	103	99	104	105
South America	125	133	126	124	131	127	106	110	102	105	109	103
Latin America	122	127	122	122	128	125	103	105	99	103	106	101
Canada	110	120	133	110	119	134	101	109	120	101	109	121
Western Hemisphere 2/	120	126	124	121	126	126	103	105	101	103	106	103
United States	109	115	109	110	117	112	101	106	99	102	107	102

1/ Revised data for 1984 and 1985; preliminary for 1986. 2/ Excludes the United States.

Source: Economic Research Service, USDA, Indices of Agricultural Production.

Table 3.--Area and production of selected agricultural products by principal Latin American countries or regions 1/

Commodity by country	Area 2/			Production		
	1984	1985	1986 3/	1984	1985	1986 3/
	1,000 hectares			1,000 tons		
Wheat:						
Mexico	950	1,050	1,075	4,200	4,400	4,500
Argentina	5,950	5,296	5,100	13,200	8,500	9,000
Brazil	1,800	2,800	3,900	1,900	4,300	5,600
Chile	471	510	670	850	1,150	1,600
Uruguay	226	240	240	342	300	300
Total	9,397	9,896	10,985	20,492	18,650	21,000
Rice(rough):						
Mexico	120	192	125	436	747	351
Cuba	161	159	155	361	341	338
Dominican Republic	117	102	85	324	280	228
Haiti	55	55	45	100	80	70
Costa Rica	70	70	55	130	151	98
Nicaragua	45	45	45	81	91	90
Panama	99	100	100	115	125	115
Argentina	117	130	125	260	283	275
Brazil	5,000	5,800	6,200	6,120	7,000	7,140
Colombia	364	386	333	1,102	1,169	1,061
Guyana	95	95	95	180	165	168
Peru	200	190	144	624	483	406
Suriname	75	70	75	183	180	183
Uruguay	84	90	85	282	312	280
Venezuela	151	181	124	266	307	209
Total	6,753	7,665	7,791	10,564	11,714	11,012
Corn:						
Mexico	6,300	6,200	6,000	9,900	10,500	10,000
Haiti	200	150	175	186	130	160
El Salvador	243	253	257	521	488	437
Guatemala	706	687	618	1,102	1,106	1,030
Dominican Republic	35	60	70	70	100	115
Honduras	368	368	324	506	480	500
Nicaragua	170	170	170	200	200	190
Argentina	3,025	3,350	3,100	11,500	12,100	9,500
Bolivia	322	350	310	489	540	475
Brazil	12,205	11,802	13,500	21,174	22,007	26,500
Colombia	590	540	592	864	763	788
Paraguay	400	350	400	420	450	530
Peru	390	370	450	776	708	860
Venezuela	313	519	504	609	1,198	1,100
Total	25,267	25,169	26,470	48,317	50,770	52,185
Grain sorghum:						
Mexico	1,300	1,300	1,350	4,100	3,700	4,300
Haiti	160	120	140	115	75	185
El Salvador	116	114	119	139	133	134
Nicaragua	50	50	50	100	120	120
Argentina	1,965	1,400	1,000	6,200	4,200	3,000
Colombia	202	211	227	516	602	600
Uruguay	80	100	100	170	213	213
Venezuela	250	250	343	475	516	790
Total	4,123	3,545	3,329	11,815	9,559	9,342

Continued

Table 3.--Area and production of selected agricultural products by principal Latin American countries or regions--continued 1/

Commodity by country	Area 2/			Production		
	1984	1985	1986 3/	1984	1985	1986 3/
	1,000 hectares			1000 tons		
Beans, dry:						
Mexico	1,600	1,800	1,950	820	1,000	1,025
Dominican Republic	50	45	45	38	34	31
Haiti	90	80	90	34	26	31
El Salvador	50	50	50	48	34	45
Nicaragua	50	50	45	60	55	50
Argentina	188	185	225	164	200	230
Brazil	5,309	5,316	5,490	2,639	2,548	2,221
Chile	85	83	90	100	100	90
Paraguay	80	80	80	47	48	30
Peru	55	50	50	48	45	45
Venezuela	62	84	88	30	44	46
Total	7,619	7,826	8,203	4,059	4,199	3,844
Potatoes:						
Mexico	79	81	83	950	975	1,000
Cuba	14	14	15	230	220	230
Argentina	105	105	100	2,200	2,000	2,000
Bolivia	130	130	125	663	720	670
Brazil	172	157	160	2,221	1,989	1,834
Chile	90	63	53	1,036	909	790
Colombia	160	160	156	1,980	1,980	2,091
Peru	160	139	136	1,515	1,600	1,300
Total	910	849	828	10,795	10,393	9,915
Cotton:						
Mexico	320	213	150	270	211	142
Guatemala	64	66	31	68	53	28
Nicaragua	110	100	100	62	56	44
Argentina	447	320	330	171	119	105
Brazil	2,420	2,290	2,160	963	830	631
Colombia	212	184	166	125	116	111
Paraguay	400	330	275	160	105	86
Peru	140	164	125	100	105	71
Total	4,113	3,367	3,337	1,919	1,595	1,218
Peanuts:						
Mexico	45	40	43	60	55	65
Argentina	146	143	168	329	270	310
Brazil	150	190	160	220	337	218
Total	341	373	371	609	662	593
Soybeans:						
Mexico	350	350	370	600	550	710
Argentina	2,910	3,270	3,350	7,000	6,750	7,300
Brazil	9,421	10,153	9,450	15,541	18,278	14,100
Paraguay	420	550	550	550	950	600
Total	13,101	14,323	13,720	23,691	26,528	22,710
Tobacco:						
Mexico	33	40	46	48	49	69
Cuba	48	50	50	38	40	40
Dominican Republic	25	20	18	22	17	23
Argentina	62	53	50	78	60	66
Brazil	276	264	266	415	411	386
Colombia	22	21	23	35	32	28
Total	466	451	453	636	609	612

1/ Includes crops harvested mainly in year shown. Totals are for those countries for which data are shown. 2/ Harvested area insofar as possible. 3/ Preliminary.

Sources: Economic Research Service, Foreign Agricultural Service, USDA; Food and Agricultural Organization of the United Nations.

Table 4.--Latin America: Production of selected agricultural products 1/

Commodity	1984	1985	1986 2/
	1,000 tons		
Crops:			
Cassava:			
Cuba	300	250	250
Dominican Republic	117	118	120
Haiti	260	250	250
Bolivia	200	220	200
Brazil	21,316	23,073	25,542
Colombia	1,754	1,850	1,344
Paraguay	2,000	1,900	1,900
Peru	363	350	350
Total	26,310	28,011	29,956
Sugar, centrifugal (raw):			
Mexico	3,436	3,630	3,928
Cuba	7,780	8,100	7,250
Dominican Republic	1,190	980	765
Other Caribbean 3/	850	870	860
Central America 3/	1,750	1,607	1,575
Argentina	1,535	1,160	1,120
Brazil	8,890	8,200	8,800
Colombia	1,283	1,267	1,217
Peru	626	730	593
Venezuela	396	493	380
Total	27,763	27,037	26,488
Cottonseed:			
Mexico	460	355	240
El Salvador	42	30	15
Guatemala	91	74	31
Honduras	11	11	11
Nicaragua	1,140	140	135
Argentina	326	280	165
Brazil	1,400	1,895	1,500
Colombia	147	186	219
Paraguay	180	270	175
Peru	110	167	142
Total	3,907	3,408	2,633
Cocoa beans:			
Mexico	42	41	43
Dominican Republic	42	39	37
Brazil	345	419	459
Ecuador	55	128	85
Total	484	627	624
Bananas:			
Mexico	1,500	1,550	1,600
Cuba	250	220	220
Dominican Republic	318	324	330
Costa Rica	1,045	1,040	1,030
Guatemala	500	550	575
Honduras	1,600	1,700	770
Nicaragua	180	180	175
Panama	620	625	700
Brazil	5,550	5,700	6,000
Ecuador 4/	1,524	1,758	1,785
Peru	449	475	475
Venezuela	965	989	1,007
Total	14,501	15,111	14,667
Coffee:			
Mexico	272	255	282
Dominican Republic	48	54	47
Coffee:	1,000 tons		
Costa Rica	151	91	129
EL Salvador	147	147	136
Guatemala	162	158	177
Honduras	84	65	96
Nicaragua	48	42	41
Brazil	1,620	1,980	1,060
Colombia	780	660	744
Total	3,312	3,452	2,712
Livestock and poultry products:			
Beef and veal:			
Mexico	1,323	1,339	1,252
Cuba	170	160	160
Dominican Republic	53	60	65
Costa Rica	90	91	89
EL Salvador	22	21	22
Guatemala	67	55	45
Honduras	35	40	48
Nicaragua	45	45	40
Argentina	2,558	2,740	2,700
Brazil	2,300	2,400	2,200
Colombia	647	683	680
Uruguay	295	342	305
Venezuela	302	324	325
Total	7,907	8,300	7,931
Pork:			
Mexico	942	865	922
Argentina	220	225	225
Brazil	567	600	700
Colombia	115	117	122
Total	1,844	1,807	1,969
Poultry meat:			
Mexico	646	627	608
Dominican Republic	64	66	70
Argentina	245	240	245
Brazil	1,398	1,530	1,650
Venezuela	360	363	365
Total	2,713	2,826	2,938
Milk:			
Mexico	7,706	7,197	8,315
Cuba	950	950	950
Dominican Republic	389	335	305
Argentina	5,200	5,300	5,300
Brazil	10,800	10,400	9,800
Chile	910	1,046	1,130
Colombia	3,090	3,128	3,306
Total	29,045	28,536	29,106
Eggs:			
Mexico	924	995	1,021
Argentina	175	173	173
Brazil	500	530	590
Chile	63	70	75
Peru	46	45	50
Total	1,708	1,813	1,909
Wool, shorn:			
Argentina	165	166	166
Brazil	30	30	30
Uruguay	74	90	90
Total	269	286	286

1/ Crops harvested mainly in year shown; cocoa beans and coffee harvest begin in year shown.
2/ Preliminary. 3/ Caribbean includes Belize and Central America does not. 4/ Exportable type only.

Sources: Economic Research Service, Foreign Agricultureal Service, USDA;
Food and Agricultural Organization of the United Nations.

Table 5.--Latin America: Exports of selected agricultural commodities

Commodity by country	Exports 1984	1985 1/	1986 2/
	1,000 tons		
Wheat:			
Mexico	10	5	5
Argentina	9,400	4,300	4,500
Total	9,410	4,305	4,505
Rice, milled basis:			
Argentina	140	165	145
Colombia	24	35	10
Guyana	47	35	40
Suriname	130	130	140
Uruguay	190	244	260
Total	531	609	595
Corn:			
Argentina	5,448	7,126	7,367
Brazil	178	0	0
Total	5,626	7,126	7,367
Sorghum:			
Argentina	4,170	3,300	1,950
Total	4,170	3,300	1,950
Sugar, raw basis:			
Mexico (Imports)	(252)	93	192
Cuba	7,016	7,100	6,500
Barbados	89	90	99
Dominican Republic	820	790	455
Jamaica	157	151	144
Trinidad/Tobago	65	65	65
Belize	94	86	90
Costa Rica	103	52	40
El Salvador	74	110	128
Guatemala	250	251	338
Honduras	102	85	105
Nicaragua	100	70	60
Panama	82	65	60
Argentina	150	70	50
Brazil	1,501	1,034	874
Colombia	183	294	259
Guyana	206	214	225
Peru	119	95	0
Total	10,859	10,715	9,684
Coffee, green or roasted:			
Mexico	174	193	208
Cuba	9	8	10
Dominican Republic	33	36	33
Haiti	30	20	15
Costa Rica	137	77	118
El Salvador	162	157	134
Guatemala	142	138	155
Honduras	74	55	86
Nicaragua	42	37	35
Brazil	1,030	1,014	540
Colombia	612	602	640
Total	2,445	2,337	1,974
Bananas, plaintains, fresh 3/:			
Guadeloupe	125	130	130
Jamaica	11	13	21
Martinique	160	165	165
Windward Is.	137	156	160
Costa Rica	1,007	800	925
Guatemala	308	310	330
Honduras	830	800	850
Bananas, plaintains, fresh:			
Nicaragua	50	50	30
Panama	500	690	630
Brazil	103	100	100
Colombia	1,030	788	810
Ecuador	974	1,200	1,400
Total	5,235	5,202	5,551
Cocoa beans:			
Mexico	4	2	2
Dominican Republic	38	37	38
Brazil	107	172	134
Ecuador	48	106	83
Total	197	317	257
Beef and veal: 4/			
Costa Rica	22	27	25
Honduras	18	10	9
Nicaragua	12	10	10
Argentina	250	260	220
Brazil	480	530	500
Colombia	5	2	12
Uruguay	120	140	117
Total	907	979	893
Cotton, raw:			
Mexico	123	77	56
Guatemala	52	50	2
Nicaragua	80	70	38
Argentina	25	53	12
Brazil	33	102	37
Colombia	27	56	60
Peru	35	39	38
Paraguay	89	158	108
Total	464	605	351
Tobacco, unmanufactured:			
Mexico	13	9	11
Cuba	5	10	10
Dominican Republic	15	13	11
Argentina	25	28	22
Brazil	161	170	149
Colombia	11	11	14
Paraguay	14	5	7
Total	244	246	224
Soybeans:			
Argentina	3,132	2,954	2,600
Brazil	1,561	3,495	1,200
Paraguay	430	845	475
Total	5,123	7,294	4,275
Soybean meal:			
Argentina	2,663	2,600	3,150
Bolivia	25	30	61
Brazil	7,613	8,599	6,542
Paraguay	56	43	49
Uruguay	1	3	2
Total	10,358	11,025	9,804
Soybean oil:			
Argentina	504	540	620
Brazil	929	956	383
Total	1,433	1,416	1,003

1/ Revised. 2/ Preliminary. 3/ Exportable type only. 4/ Carcass-weight basis; excludes fats and offal.
Sources: Economic Research Service and Foreign Agricultural Service, USDA;
Food and Agriculture Organization of the United Nations.

Table 6.--Latin America: Imports of selected agricultural commodities

Commodity by country	Imports 1984	1985 1/	1986 2/
	1,000 tons		
Wheat 3/:			
Mexico	345	320	224
Cuba	1,200	1,300	1,300
Dominican Republic	175	230	238
Haiti	170	175	185
Jamaica	190	200	200
Trinidad/Tobago	115	120	110
Costa Rica	110	120	113
El Salvador	150	153	171
Guatemala	140	165	123
Honduras	112	104	103
Nicaragua	50	50	50
Panama	65	73	87
Brazil	4,867	3,800	1,140
Colombia	655	697	670
Chile	959	450	125
Peru	972	1,000	1,136
Venezuela	977	837	844
Total	11,252	9,794	5,819
Rice, milled basis:			
Mexico	168	164	75
Cuba	220	220	230
Jamaica	50	55	60
Trinidad/Tobago	50	55	50
Brazil	23	512	590
Chile	3	10	32
Peru	48	0	141
Total	562	1,016	1,178
Corn:			
Mexico	2,498	1,726	1,703
Cuba	423	450	480
Dominican Republic	175	185	210
Jamaica	140	138	121
Trinidad/Tobago	120	113	100
Brazil	254	965	2,380
Chile	36	10	80
Peru	115	276	501
Venezuela	1,600	1,323	2
Total	5,361	5,186	5,577
Sorghum:			
Mexico	2,747	2,255	767
Venezuela	347	1,949	677
Total	3,094	4,204	1,444
Sugar, raw basis:			
Chile	191	10	4
Uruguay	5	5	5
Venezuela	234	234	124
Total	430	249	133

Commodity by country	Imports 1984	1985 1/	1986 2/
	1,000 tons		
Bananas, plaintains, fresh:			
Argentina	150	155	155
Venezuela	130	130	0
Total	280	285	155
Soybeans:			
Mexico	1,313	1,219	827
Dominican Republic	12	33	46
Haiti	64	32	35
Jamaica	63	50	47
Brazil	134	428	717
Colombia & Peru	98	143	120
Venezuela	113	138	140
Total	1,797	2,043	1,232
Soybean meal:			
Mexico (U.S.exports)	118	(82)	(108)
Cuba	212	200	200
Dominican Republic	81	85	83
Chile	31	27	32
Peru	40	55	73
Venezuela	568	665	463
Total	1,050	950	743
Soybean oil:			
Mexico	86	45	40
Dominican Republic	37	56	58
Bolivia	20	20	4
Chile	79	78	1
Colombia	60	53	34
Ecuador	77	50	13
Peru	50	34	6
Venezuela	111	88	44
Total	520	424	200
Barley:			
Mexico	88	5	21
Cuba	70	80	90
Chile	12	5	1
Colombia	150	150	22
Peru	29	50	6
Total	349	290	140
Apples:			
Mexico	1	2	2
Brazil	90	90	90
Venezuela	1	1	0
Total	92	93	92
Pulses:			
Mexico	119	145	179
Cuba	95	100	100
Colombia	20	20	0
Venezuela	80	95	100
Total	314	360	379

1/ Revised. 2/ Preliminary. 3/ Including flour equivalent.

Sources: Economic Research Service and Foreign Agricultural Service, USDA;

Table 7.- U.S. agricultural trade with the Western Hemisphere

Country	U.S. exports to			U.S. imports from		
	1984	1985	1986 1/	1984	1985	1986 1/
	Million dollars					
Mexico	1,992.6	1,439.3	1,082.3	1,279.4	1,445.5	2,079.6
Bahamas	70.4	90.3	120.9	4.2	3.0	1.3
Barbados	32.5	29.0	29.5	7.4	11.0	1.6
Bermuda	44.2	41.1	48.8	0.1	0.0	0.0
Dominican Republic	167.9	173.9	169.9	458.9	378.1	391.6
French West Indies	6.4	4.4	4.8	0.8	0.3	0.1
Haiti	72.9	72.0	74.6	38.7	24.7	17.6
Jamaica	144.9	116.2	108.3	29.9	30.5	25.8
Leeward & Windward Isles	58.7	50.3	56.4	7.2	6.6	8.3
Netherlands Antilles	76.6	63.5	68.6	1.5	3.1	4.5
Trinidad/Tobago	131.3	109.5	89.0	11.5	5.6	7.0
Other Caribbean Islands	14.0	14.3	13.1	0.2	1.5	0.8
Caribbean	819.8	763.7	783.0	560.4	464.6	463.9
Belize	8.6	6.8	8.0	18.4	14.3	22.9
Costa Rica	41.8	43.8	38.7	310.1	287.4	379.0
El Salvador	100.9	94.3	80.0	231.2	280.3	290.8
Guatemala	89.5	81.4	78.9	361.8	333.2	538.3
Honduras	45.6	47.6	51.3	282.1	253.7	300.8
Nicaragua	15.4	4.9	0.0	47.1	34.4	0.0
Panama	85.7	82.9	83.5	107.3	146.3	134.8
Central America	387.5	361.9	340.4	1,358.0	1,349.6	1,666.8
Argentina	18.8	15.3	27.7	313.5	307.9	274.1
Bolivia	24.0	27.3	36.9	6.6	12.0	7.4
Brazil	508.3	470.1	566.0	2,110.9	2,333.4	1,832.6
Chile	154.6	93.7	42.1	157.1	211.7	230.2
Colombia	213.8	218.0	109.8	714.9	758.6	1,001.7
Ecuador	151.4	100.1	70.0	412.0	526.0	555.9
French Guiana	0.2	0.0	0.0	0.1	0.0	0.0
Guyana	4.5	3.4	7.4	16.1	2.5	8.8
Paraguay	1.1	1.6	1.2	27.0	17.0	24.2
Peru	176.2	76.0	139.2	167.0	159.9	187.8
Suriname	19.5	12.2	12.1	0.1	0.4	0.5
Uruguay	7.9	2.4	9.8	20.0	13.1	19.1
Venezuela	782.5	638.2	455.7	32.8	36.6	61.7
South America	2,062.8	1,659.3	1,478.2	3,978.1	4,379.2	4,203.9
Total Latin America	5,262.7	4,224.1	3,683.9	7,174.5	7,639.0	8,414.3
Canada	1,932.4	1,621.8	1,552.7	1,850.6	1,894.1	2,018.2
Western Hemisphere 2/	7,195.1	5,842.4	5,236.6	9,025.1	9,533.1	10,432.5
Total World	37,804.4	29,041.5	26,231.1	19,324.0	19,968.4	21,439.7
Percentage of world Western Hemisphere	19.0	20.1	20.0	46.7	47.7	48.7

Regional totals may not sum due to rounding.
-- = Not available.
1/ Preliminary. 2/ Excludes the United States.

Sources: Bureau of the Census; Foreign Agricultural Service, USDA.

Table 8.--Canada: Supply and use of crops

Commodity and year	Area	Yield	Production	Total supply	Total use domestic	Feed use	Net exports	Ending stocks
	Mil ha	Tons/ha		Million tons				
Wheat								
1984/85	13.2	1.61	21.2	30.4	5.3	2.0	17.6	7.5
1985/86	13.7	1.75	23.9	31.5	5.9	3.0	17.0	8.4
1986/87 1/	14.2	2.23	31.9	40.3	6.1	2.5	21.0	13.3
Barley								
1984/85	4.6	2.25	10.3	12.4	7.5	6.6	2.7	2.1
1985/86	4.8	2.58	12.4	14.4	7.5	6.6	3.8	3.2
1986/87 1/	5.1	2.58	15.0	18.4	7.7	6.8	6.3	4.3
Corn								
1984/85	1.2	5.89	7.0	8.6	6.6	5.5	-.1	1.4
1985/86	1.2	6.17	7.4	9.1	6.4	5.6	.6	1.8
1986/87 1/	1.0	6.13	6.1	8.5	6.8	5.5	-.1	1.6
Rapeseed								
1984/85	3.1	1.09	3.4	3.5	1.6	--	1.5	.5
1985/86	2.8	1.24	3.5	3.9	1.6	--	1.5	.8
1986/87 1/	2.8	1.39	3.9	4.7	1.7	--	1.7	1.3
Flaxseed								
1984/85	.7	.99	.7	.9	.1	--	.6	.2
1985/86	.7	1.24	.9	1.1	.2	--	.6	.3
1986/87 1/	.9	1.22	1.1	1.4	.2	--	.7	.5

-- = not applicable.
1/ 1986/87 data are forecasts.

Source: Statistics Canada and USDA World Agricultural Supply and Demand.

Table 9.--Canada: Supply and use of meats

Item and year	Begining inventory	Slaughter	Production	Consumption Total	Consumption Per cap. 1/	Imports	Exports	Ending stocks
	1,000 head			1,000 tons				
Cattle/beef								
1985	11.0	4.3	1,020	1,020	40.5	110	113	13
1986	10.6	4.2	975	972	38.3	110	115	11
1987	10.5	4.1	925	940	36.6	110	115	11
Hogs/pork								
1985	11.0	14.4	900	712	25.2	20	205	14
1986	10.7	14.3	890	690	27.6	20	225	11
1987	10.9	14.4	900	700	26.9	20	210	10
Poultry meat								
1985	--	--	603	630	25.0	26	1	23
1986	--	--	622	647	25.5	34	1	27
1987	--	--	650	665	26.5	30	1	30

-- = not available.
1987 data are forecasts.
1/ Kilograms.

Source: Statistics Canada and USDA World Agricultural Supply and Demand.

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